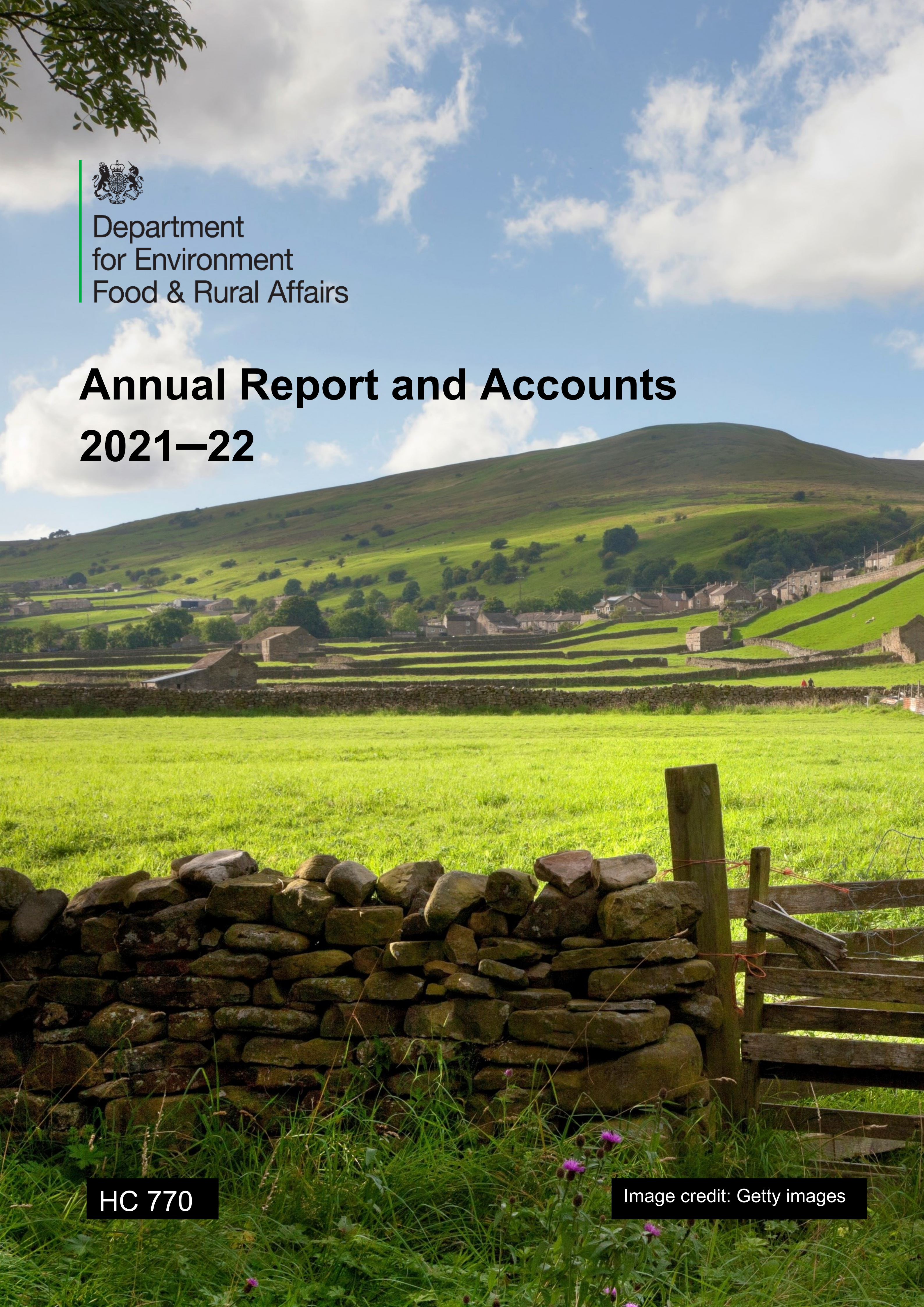
Department for Environment Food & Rural Affairs

Annual Report and Accounts 2021–22



HC 770

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Department for Environment, Food and Rural Affairs

Annual Report and Accounts 2021-22

(For the year ended 31 March 2022)

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This is part of a series of departmental publications which, along with the Main Supply Estimates 2022-23 and the document Public Expenditure: Statistical Analyses 2022, present the Government's Outturn for 2021-22 and planned expenditure for 2022-23.

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Chapter 1 – Overview

Foreword by the Permanent Secretary of the Department for Environment, Food and Rural Affairs

Tamara Finkelstein

Reflecting on the past year I am proud of what Defra has delivered during 2021-22, following the end of the EU transition period, continuing to tackle the impact of the COVID-19 pandemic. Defra colleagues have continued to deliver excellent services to the public, managed challenges including flooding and supply chain difficulties, and made progress on reform domestically and internationally to enable our sectors to prosper and improve the environment.

We made progress in restoring and enhancing the environment for the next generation, by taking the Environment Bill through Parliament to create the Environment Act in November 2021. This legislation will improve air and water quality, tackle waste, halt species decline and improve our natural environment. We formed the Office for Environmental Protection to improve the environment by holding government and public bodies to account; its statutory functions began in January 2022. In March 2022, we launched a consultation for new, legally binding environmental targets, which will set the direction for domestic environmental policy

We made significant progress towards driving nature recovery across England by publishing our Nature Recovery Green Paper in March 2022. The proposals focus on reform of protected sites designation and management, how we will deliver our commitments to protect 30 per cent land and sea by 2030, updated species protections, green finance and reform of Defra's delivery bodies.

We contributed to the Government's 2050 net zero ambition by: publishing the England Trees Action Plan and England Peatland Action Plan under the Nature for Climate Fund; supporting low carbon farming and agricultural innovation through the Farming Investment Fund and Farming Innovation Programme; and developing a policy pathway that meets Defra's effort share for carbon budget 6 (an interim net zero target), which is part of the Net Zero Strategy published by the Department for Business, Energy and Industrial Strategy in October 2021.

In July 2021, we published an update on the commitments in the Flood and Coastal Erosion Risk Management Policy Statement. We made record investment in flood and coastal defences, supported households at risk of flooding to access affordable insurance, and reviewed improvements to flood risk safeguards in the planning system and surface water management actions. The UK was struck by storms Dudley, Eunice and Franklin in February 2022. We led the response, protecting 50,000 properties and issuing timely warnings to 100,000 households.

We continued to coordinate cross-government delivery of the second National Adaptation Programme, a five-year programme of action to 2023 to make the country more resilient to climate change. In October 2021, we published our response to the Climate Change Committee's report on progress. This was followed by the third UK Climate Change Risk Assessment report to Parliament in January 2022, which outlined the key climate change risks and opportunities that the UK faces and the scale of the challenge of adapting to climate change.

Following on from the 2020 Agriculture Act, we launched a suite of schemes to support farmers to take sustainable approaches to farming, make enhancements to the landscape and encourage nature recovery. These include the Sustainable Farming Incentive pilot, the first round of applications for the Landscape Recovery scheme and the Farming in Protected Landscapes scheme. We reviewed the evidence that Henry Dimbleby set out in his independent review of the food system, which informed our Food Strategy White Paper published in June 2022. This strategy will help ensure we deliver our ambition for a prosperous agri-food and seafood sector, and that healthier and more sustainable diets can be achieved by all.

We initiated the annual Fisheries and Seafood Scheme in April 2021 to provide financial assistance for projects supporting the English fishing industry. We launched the UK Seafood Fund in December 2021 to support the long-term future of the UK fisheries and seafood sector. In January 2022, we launched a further element of our post-EU exit fisheries management framework alongside devolved administrations - a public consultation on the draft Joint Fisheries Statement. This will help set the future direction of UK fisheries management, making sure that policies deliver a thriving, sustainable fishing industry and healthy marine environment.

We made continued progress in our international work with progress on priorities for nature during the 2021 UN Climate Change Conference (COP26). We obtained endorsements from 137 countries on the Glasgow Leaders’ Declaration on Forests and Land Use and secured a $12 billion public Global Forest Finance Pledge, which commits countries to work to reverse forest loss and land degradation by 2030.

We played a leading role in rest of world trade negotiations for the UK-Australia and UK-New Zealand free trade agreements. Both deals bring benefits to the UK agriculture, food and drink sector, with tariff-free exports on all products, simpler customs processes and being able to maintain our high animal welfare standards.

During the 2021 Spending Review, we secured a £1.4 billion uplift by 2024-25. This will support delivery of our net zero strategy, climate adaptation, flood defences and increased spending on science, digital and Overseas Development Assistance. This settlement provides a firm basis to plan for delivery of our outcomes to March 2025.

In the year ahead, we will continue to deliver across Defra group’s broad remit. Major activities include: setting environmental targets and publishing our Environmental Improvement Plan; publishing our response to the Nature Green Recovery Paper consultation; developing the third National Adaptation Programme; rolling out next stages of the Environmental Land Management schemes; progressing parliamentary passage of animal welfare bills; preparing for the Conference on Biological Diversity (COP15); and contributing to the Government’s levelling up missions.

Finally, I would like to thank all Defra group staff for their unwavering professionalism and dedication across the delivery of our services and outcomes.

Non-Executive Directors' Report

2021-22 has been a challenging and pivotal year for Defra group. The department has played a major role in the Government's recovery from COVID-19 and the UK's response to the conflict in Ukraine and the impacts on our sectors.

During this period, we have supported the food, farming and fisheries industries, and responded to changes relating to the EU transition whilst delivering vital services to customers.

The ministerial and non-executive board members remained largely the same throughout the year, providing continuity. The Board met six times in 2021-22. It has increasingly focussed on evaluating progress against the group's Outcome Delivery Plan and regularly discussed Defra's performance through the lens of its business plan, portfolio, finance and risks. This year has also seen the introduction of additional briefings for non-executive directors (NEDs) in their champion areas ahead of board meetings. This has allowed NEDs to provide more targeted scrutiny of board papers informed by policy teams expertise.

Areas on which the Board provided advice and oversight included the Future Farming and Countryside Programme, Climate Adaptation and Green Finance. Colin Day, as Audit and Risk Assurance Committee chair provided active challenge on matters within the Committee's remit.

As lead NED, I have undertaken this year's board effectiveness review: board members rated the Board's performance overall as 'satisfactory' or 'good' and agreed it operated as effectively or better than in the previous years. Further details are included in the Governance Statement.

In addition to their contributions to board and committee meetings, individual NEDs, through their champion roles have used their relationships within the department to provide insight on and challenge to some of the most critical areas of work. Lizzie Noel as 'Union' and 'Levelling-Up' champion, has worked closely with relevant policy teams. Lizzie has also helped improve the department's commercial capacity and contract management through her 'commercial' champion role. Elizabeth Buchanan has been working on the issue of rural affordable housing. Ben Goldsmith has worked closely with the natural environment and landscapes team and helped highlight the importance of biodiversity. I have continued my role as the 'Net Zero' champion and sit on the department's new delivery committee set up in January.

My fellow non-executive board members and I would like to express our gratitude to staff across the Defra group for their fortitude and commitment over the past year.

Looking ahead, Defra will continue to progress its' ambitious future farming, domestic and international environmental agendas. The non-executive team look forward to the next year as we continue to advise and challenge to help ensure priorities are effectively delivered to achieve the Government's priorities and the department's vision of making our air purer, our water cleaner, our land greener and our food more sustainable.

Henry Dimbleby, Lead Non-Executive Director

Overview

This chapter describes our department and how we are structured, our vision, our outcome delivery plan, our resources and the key risks that we face in achieving our outcomes. It sets out our continued response to COVID-19 and describes our post-transition position following EU exit. It includes a performance summary that shows our key performance successes across Defra group.

Who we are

Defra is the UK Government department responsible for improving and protecting the environment. We aim to grow a green economy and sustain thriving rural communities. We also support our world-leading food, farming and fishing industries[1]. Our broad remit means we play a major role in people's day-to-day life, from the food we eat, and the air we breathe, to the water we drink. We are a ministerial department that is supported by, and works collaboratively with, 33 agencies and public bodies. Together we are the Defra group.

Our structure and business model

Our Permanent Secretary, Tamara Finkelstein, has responsibility for managing the department and safeguarding public funds provided under the Defra Estimate.

Defra is made up of the Core department and a network of agencies and public bodies. Defra's public bodies vary in size, type, budget, remit and level of independence from the Core department. For more information see the[2] Accounting Officer System Statement (AOSS) - Annex A shows the wide range of bodies that are included in Defra's system of accountability.

Further information on our governance, including the Defra Board and the three committees which support it, is set out in Chapter 4.

Our vision

We are here to make our air purer, our water cleaner, our land greener and our food more sustainable. Our mission is to restore and enhance the environment for the next generation, leaving it in a better state than we found it.

Our outcome delivery plan

All government departments are asked by Cabinet Office and HM Treasury to produce two versions of their outcome delivery plan (ODP); an internal facing ODP and a public ODP[3]. These plans are refreshed annually and cover the duration of the current spending review period.

Defra group's 2021-22 public ODP was structured around our four priority outcomes (POs), agreed with HM Treasury through the 2020 Spending Review. These POs were underpinned by sub-outcomes which captured what success would look like. We also had a set of four strategic enablers that strengthened our corporate capacity and capability.

[1] https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs
[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1041011/department-for-environment-food-and-rural-affairs_accounting_officer_system_statement.pdf.
[3] https://www.gov.uk/government/publications/department-for-envirenment-food-and-rural-affairs-outcome-delivery-plan.

Our priority outcomes are:

PO1: Improve the environment through cleaner air and water, minimised waste, and thriving plants and terrestrial and marine wildlife

PO2: Reduce greenhouse gas emissions and increase carbon storage in the agricultural, waste, peat and tree planting sectors to help deliver net zero

PO3: Reduce the likelihood and impact of flooding and coastal erosion on people, businesses, communities and the environment

PO4: Increase the sustainability, productivity and resilience of the agriculture, fishing, food and drink sectors, enhance biosecurity at the border and raise animal welfare standards

Our environment outcome is cross-cutting and includes contributions from the Department for Levelling Up, Housing and Communities (DLUHC) and the Department for Transport (DfT). Our net zero outcome reflects Defra's contribution to the Department for Business, Energy and Industrial Strategy (BEIS)-led cross-cutting outcome to reduce UK greenhouse gas emissions to net zero by 2050.

Our strategic enablers

To deliver our priority outcomes, and reinforce the ambitions of the Declaration on Government Reform, we focused on four key strategic enablers:

- Workforce, skills and location
- Innovation, technology and data
- Delivery, evaluation and collaboration
- Sustainability

See Chapter 2 for further detail on what we have achieved under our priority outcomes and our strategic enablers.

Progress on our 25 Year Environment Plan

Our 25 Year Environment Plan (25 YEP) is a living blueprint for the environment covering the next quarter of a century. The plan will continue to evolve and be updated as our policies develop and build on the original actions set out in 2018. The plan leads the world in using a natural capital approach as a tool to support decision-making, helping us make the policy choices that will deliver long-term improvements. This approach considers the often hidden benefits to our economy and wellbeing derived from our air, water, soil and ecosystems, which support all forms of life, and ensures they are reflected in our decision making. The goals[4] of the 25 YEP inform our priority outcomes, particularly for the environment (PO1), net zero (PO2), floods and resilience (PO3) and through our international environment work.

The Environment Act 2021 gained Royal Assent on 9 November 2021, putting the environment at the heart of government policymaking. It sets the legislative framework for establishing long-term, legally-binding environmental improvement targets on biodiversity, air quality, water and resource and waste efficiency on which government will be held to account. It places the 25 YEP on a statutory footing and adopts it as the first statutory Environmental Improvement Plan (EIP). Under the Environment Act 2021, the Government is required to conduct the first review of its EIP by January 2023; that review is underway.

In March 2022, we began a consultation on the proposed suite of targets that cover water, air quality and the diversity of our wildlife. These proposed targets include:

- Cleaning up our air through a target to reduce exposure to the most harmful air pollutant to human health – Particulate Matter (PM2.5). We have consulted on two new targets – a concentration target to set a new limit for PM2.5 of 10 micrograms per cubic meter by 2040, and a population exposure reduction target of 35 per cent by 2040, compared to 2018 levels.

- Improving the health of our rivers by reducing nutrient pollution and contamination from abandoned metal mines in water courses and improving water use efficiency.

- Halting the decline in our wildlife populations through a legally binding target for species abundance by 2030 with a requirement to increase species populations by 10 per cent by 2042.

- Halving the waste that ends up at landfill or incineration by 2042.

- Increasing total tree cover by 3 per cent by 2050.

- Significant improvements in the condition of Marine Protected Areas by 2042.

Additionally, we have maintained work towards delivering good environmental status for our seas through the UK Marine Strategy.

Delivering our ambitious goals for nature recovery will require a whole economy effort. The Government has set an ambitious new target to raise at least £500 million per year of private finance for nature's recovery by 2027, and over £1 billion per year by 2030.

Our focus on the environment extends beyond the domestic context. The UK hosted the United Nations climate change summit, COP26, in November 2021. This bears testament to our global credentials as an ambitious and effective leader on climate change. Almost 200 countries put their name to the Glasgow Climate Pact, marking a decisive shift in the world's approach to tackling carbon emissions, setting a clear roadmap to limiting the rise in global temperatures to 1.5 degrees and marking the beginning of the end for coal power.

[4] There are 10 goals in the 25 YEP – see here: https://www.gov.uk/government/publications/25-year-environment-plan-our-targets-at-a-glance

Risks affecting delivery of our outcomes

This past year we have continued to face unprecedented and rapidly evolving challenges, increasing our risk exposure. We have continued to be at the forefront in managing some of the most severe threats facing the UK which are recorded on the National Risk Register, include flooding, severe weather, air quality, CBRN (Chemical, Biological, Radiological and Nuclear) emergencies, and plant and animal disease outbreaks.

We have continued to demonstrate resilience and adaptability in our changing landscape, mindful of newer challenges such as cyber security, as well as other internal risks such as fraud, legal challenge, and staff resilience and wellbeing. We were able to manage our risks in the context of a changing global picture partly impacted by the continued effects of the pandemic as well as other factors. We have seen changes to our external risks, such as global supply chain fragility, our cooperation with the EU and the delivery of ambitious environment targets. This has required us to continually build programme delivery capability, alongside implementing emergency reserves to help us respond to concurrent incidents.

More detail on management of our principal risks is given in Chapter 2.

Our response to COVID-19

COVID-19 required Defra group to mount an unprecedented response. Throughout the pandemic we have worked closely with external stakeholders across multiple forums. This engagement and dialogue with our sectors allowed us to ensure that policies have considered the needs of Defra sector businesses and their employees, so that critical activities could continue during lockdowns and open safely during periods of easing.

We adapted to the pandemic at pace, setting up an Emergency Operations Centre (EOC) in March 2020. This became the critical interface between our stakeholders, Defra policy teams and the rest of government. The EOC was supported across the department by the reprioritisation of work and pivoting staff towards management of the emergency.

We have provided continued input into the development of cross-governmental policy, balancing the urgency of public health protection with the continued operations of sectors critical to England's safety and economy (such as water treatment, waste collection and food distribution). Defra supported the implementation of various bespoke testing regimes which allowed our sector workforces to test regularly, our sector workplaces to remain COVID-safe and our critical infrastructure to continue operating. Defra's Chief Scientific Adviser has worked with the UK Health Security Agency (UKHSA), along with Environment Agency (EA) and Centre for Environment, Fisheries and Aquaculture Science (Cefas), to develop an innovative programme to test wastewater for traces of SARS-CoV-2 and variants across 70 per cent of the population in England. Defra, the EA and Cefas have supported the UKHSA on scientific design and delivery of the programme.

As we continue to live with COVID-19, the Covid Policy Unit is organically evolving into the COVID-19 Inquiry team for Defra, coordinating Defra's response to the Public Inquiry.

Working with the EU

During 2021-22, as a UK independent coastal state, we have worked bilaterally with priority EU Member States including Germany, France, Netherlands, Ireland, and Denmark to progress business as usual relations using a framework of Defra's International Objectives. Engagement with member states has included in-person workshops, international visits and virtual meetings at Ministers, Permanent Secretary and Senior Civil Service (SCS) level. We have also established our new trading relationship with the EU through the implementation of the Trade and Cooperation Agreement (TCA), using its various Specialised Committees to engage our priority interests.

Through and after the transition period, we have seized the opportunity of the UK's exit from the EU to continue to build on our long-term commitment to leaving the environment in a better state than we found it. We are reforming our agricultural and fisheries policies to better support our farmers and fishing industries, while continuing to build a healthy, long-term, environmentally responsible approach to our land and seas. We have taken on independent regulatory functions, for example, in the chemicals sector. We have ambitious plans to reform our agricultural and land management, replacing the EU Common Agricultural Policy (CAP) with a series of targeted schemes to support farmers and land managers to maintain and enhance the environment, improve health and welfare of the livestock they manage and invest in the productivity and resilience of their businesses. Additionally now that we are out of the Common Fisheries Policy and have our new Fisheries Act, we have the opportunity to reform how we manage our fisheries, control our waters and support our marine environment. We are delivering replacement devolved EU funding schemes alongside the new £100 million UK Seafood Fund to support industry/maintain funding for fisheries and coastal communities. We continue to support our fishing industries with our marine life sustainably managed for the future. We control our own environmental protection measures and oversight and have established independent oversight and scrutiny of them. Most importantly, through this period and beyond, we are working with delivery partners and businesses to ensure that we support them in adapting to operating in the new, post-EU environment.

For an analysis of EU exit expenditure in 2021-22, see Chapter 3.

Working with devolved administrations

We work collaboratively with the devolved administrations through common frameworks to ensure a common approach is taken where powers have returned from the EU which intersect with policy areas of devolved competence. There are 14 common frameworks in the EFRA policy portfolio which reflect established ways of working between the administrations. These are currently operating on an interim basis across the UK whilst they undergo scrutiny in the UK Parliament and the devolved legislatures.

The Inter-Ministerial Group for Environment, Food and Rural Affairs (IMG EFRA) is the highest portfolio level engagement forum between the EFRA ministers of the four UK administrations. It provides central co-ordination and promotes greater collaboration in areas of shared interest such as agriculture, fisheries, environment, forestry, decarbonisation, and rural affairs, and includes the policy, delivery, technical and legislative matters. It is supported by the Senior Officials Programme Board (SOPB) which acts as a Sherpa group to the IMG. SOPB is the highest official level forum for engagement between the four administrations across the EFRA portfolio. Supported by the Secretariat, SOPB provides coordination, oversight and direction to the work programme agreed by the IMG EFRA.

In July 2021, the UK Government published its command paper[5] 'Northern Ireland (NI) Protocol: The Way Forward'[6] and in October 2021 the EU published a series of non-papers[7] which set out the EU proposals in the light of the Command Paper. Since then, the NI Programme and other Defra group led policy areas have been engaging with the EU through a series of technical discussions and continues to work towards a negotiated solution. On the 13 June 2022, the NI protocol bill was laid in Parliament by the foreign secretary.

During 2021-22, the NI Programme began to develop the Digital Assistance Scheme (DAS) which is a suite of interventions that aims to support and simplify the movement of agri-food goods from Great Britain to Northern Ireland (GB to NI). To support this, a consultative group was set up for representations of the GB to NI supply chain to act as a sounding board and to ensure stakeholder engagement supports ongoing development.

The NI Programme continued to support the Movement Assistance Scheme (MAS), which was developed in late 2020 to provide support to traders moving agri-food commodities and live animals from GB to NI as an interim solution. The scope of MAS was intended to cover all additional costs faced by traders resulting from the additional certification required under the NI Protocol. We have since expanded the coverage of MAS to include seven more items such as (but not limited to): high risk foods not of animal origin, costs related to scrapie testing for sheep exports and costs related to the export of seed. Since it was launched in December 2020, the scheme has helped with the cost of more than 11,400 certificates and 1,300 inspection hours covered.

Our resources

The total voted net funding in 2021-22 was £7.52 billion which was broken down as follows;

- Departmental Expenditure Limit (DEL) (including depreciation): £5.86 billion of which;
    - Resource DEL (including depreciation): £4.44 billion
    - Capital DEL: £1.42 billion
- Annually Managed Expenditure (AME): £1.65 billion
- Non-Budget: £0.01 billion.

Control totals included in this document are in line with those presented in the Main Supply Estimates 2021-22[8].

Further detail can be found in Chapter 3 – Financial Analysis.

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[5] A command paper is a government paper that is presented to Parliament.
[6] Northern Ireland Protocol: https://assets.publishing.service.gov.uk/government/uploads/attachment_data/file/1008451/CCS207_CCS072191490
[7] A non-paper is an informal document, usually without explicit attribution, put forward in closed negotiations within EU institutions
[8] HC 14 – Central Government Supply Estimates 2020-21 Main Supply Estimates 2021-22 for the year ending 31 March 2022 (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attchment_data/file/986125/CCS001_hmt_main_estimates_2021-22_bookmarked.pdf)

As at 31 March 2022, Defra had 12,160 full-time equivalent employees[9]. For the same organisations, the comparable figure as 31 March 2021 was 10,532. The table below shows the regional distribution for these two years.

Region	**FTE 31 Mar 2021**	**FTE 31 Mar 2022**
London	2,537	2,801
South East	1,291	1,401
East of England	788	832
East Midlands	206	277
West Midlands	574	664
Yorkshire and the Humber	1,025	1,172
North East	501	727
North West	1,295	1,530
Scotland	138	153
South West	1,649	1,889
Wales	316	327
Home Based	212	387
Grand Total	**10,532**	**12,160**

[9] Defra: Workforce Management Information - This is only a sub-set of the full-time equivalent (FTE) employee's data shown in the table below, as it excludes NDPBs. The 12,160 FTE figure is civil service employment as of 31 March 2022 for the Core department, Animal and Plant Health Agency, Centre for Environment, Fisheries and Aquaculture Science, Rural Payments Agency and Veterinary Medicines Directorate only.

Our performance summary in 2021-22

Chapter 2 describes our group performance framework and sets out how we performed in delivering our priority outcomes and strategic enablers in our 2021–22 outcome delivery plan.

In summary, Defra group has maintained a steady level of performance across these outcomes, dealing with the continuing impacts of COVID-19, developing new approaches to delivery after leaving the EU and managing the challenges brought by winter events such as Storm Arwen.

Credit: Getty Images

- We enhanced and protected over 1,500 kilometres of the water environment, exceeding the overall target
- We launched various marine and farming environment schemes. Blue Planet Fund / UK Seafood Fund, Farming Resilience / Farming Investment Fund

- We launched Clean Air Zones in Birmingham and Portsmouth
- The Office for Environmental Protection was legally created under the Environment Act 2021

Credit: Getty Images

Credit: Getty Images

- Our annual nitrogen oxides (NOx), non-methane volatile organic compounds (NMVOC), particulate matter (PM2.5) and sulphur dioxide (SO2) emissions met our 2020 target emission ceiling
- 99 per cent of English bathing waters met the required water quality standards

Chapter 2 – Performance Analysis

This chapter is structured by the four priority outcomes set out in Defra group's outcome delivery plan for 2021-22. Under each priority outcome (PO) we explain how we intended to achieve those outcomes and the success of those intentions. We include key performance metrics, agreed at the 2020 Spending Review (SR), to measure our delivery success towards those outcomes. Performance against these metrics was reported quarterly to the Cabinet Office and HM Treasury. A wider set of metrics was also reported quarterly to our Executive Committee (ExCo) and to Defra's Board, as part of an integrated reporting cycle that brings together operational activity and risk, quarterly outcome monitoring and progress in delivering our priority portfolios and programmes.

As part of the annual business planning process, we continually refine our performance framework so that it covers both our strategic, longer-term outcomes and the performance measures that we use at delivery and operational level. This explains why the list of indicators may change from one year to the next; some may be removed whilst other indicators more relevant to the latest plan have been added in.

Looking forward to our 2022–23 Annual Report and Accounts, which will be based on our corresponding outcome delivery plan, our performance framework will evolve again to ensure we have the most suitable indicators that measure our performance against the new priority outcomes, as published as part of the Spending Review 2021 (SR21).

Through prioritisation decisions, Defra group maintained delivery of the priority outcomes set in our 2021–22 delivery plan despite the challenges of COVID-19, with few significant impacts on organisational performance. Where there have been COVID-19 impacts, these are noted in the relevant section of this chapter. There is information on the financial impact of COVID-19 in Chapter 3.

Performance by priority outcome

Priority outcome 1 (PO1): Improve the environment through cleaner air and water, minimised waste, and thriving plants and terrestrial and marine wildlife

As set out in Chapter 1 Defra's 25 Year Environment Plan (25 YEP) sets out our approach to improving the environment through cleaner air and water, minimised waste, and thriving plants and terrestrial and marine wildlife. We published our third annual progress report[10] against the 25 YEP in October 2021.

We also passed the Environment Act 2021 which places a legal duty on Ministers of the Crown to have "due regard" to the Environmental Principles Policy Statement when making policy.

The principles are internationally recognised as successful benchmarks for environmental protection and enhancement. The five environmental principles are the integration, prevention, rectification, polluter pays and precautionary principles.

[10] 25 Year Environment Plan: progress reports – https://www.gov.uk/government/publications/25-year-environment-plan-progress-reports#full-publication-update-history.

There remains much to do, both in our country and with international partners, to halt and reverse the decline of nature and to address climate change. The interlinked international crises of climate change and biodiversity loss must be tackled together. In 2021 and beyond, the Government will make tackling climate change and biodiversity loss its number one international priority. Not only is nature heavily impacted by climate change, it also provides vital tools to help mitigate climate change and adapt to its impacts.

PO1: clean air

Air pollution has reduced significantly since 2010 but remains the greatest environmental risk to human health. We continue to address actions set out in our Clean Air Strategy to tackle air pollution. This includes setting two new targets for fine particulate matter (PM2.5) under the Environment Act 2021. We want to seize the opportunity to set air quality targets which will focus interventions on improving public health.

In May 2021, new legislation came into force that restricts the sale of the most polluting fuels used in domestic burning[11]. The aim is to move people to cleaner fuels: from wet wood to dry wood, and from traditional house coal to smokeless coal and low sulphur manufactured solid fuels. From 1 January 2022, all stoves placed on the UK market must be Eco design compliant, producing lower emissions and being more efficient.

We continue to work with local authorities to implement mitigating measures to reduce NO2 exceedances in the shortest possible time. One such measure includes the launch of Clean Air Zones (CAZ) including Birmingham CAZ in June 2021 and Portsmouth CAZ in November 2021. Further CAZs are planned in Bristol, Bradford, Tyneside, and Sheffield over the next 12 months.

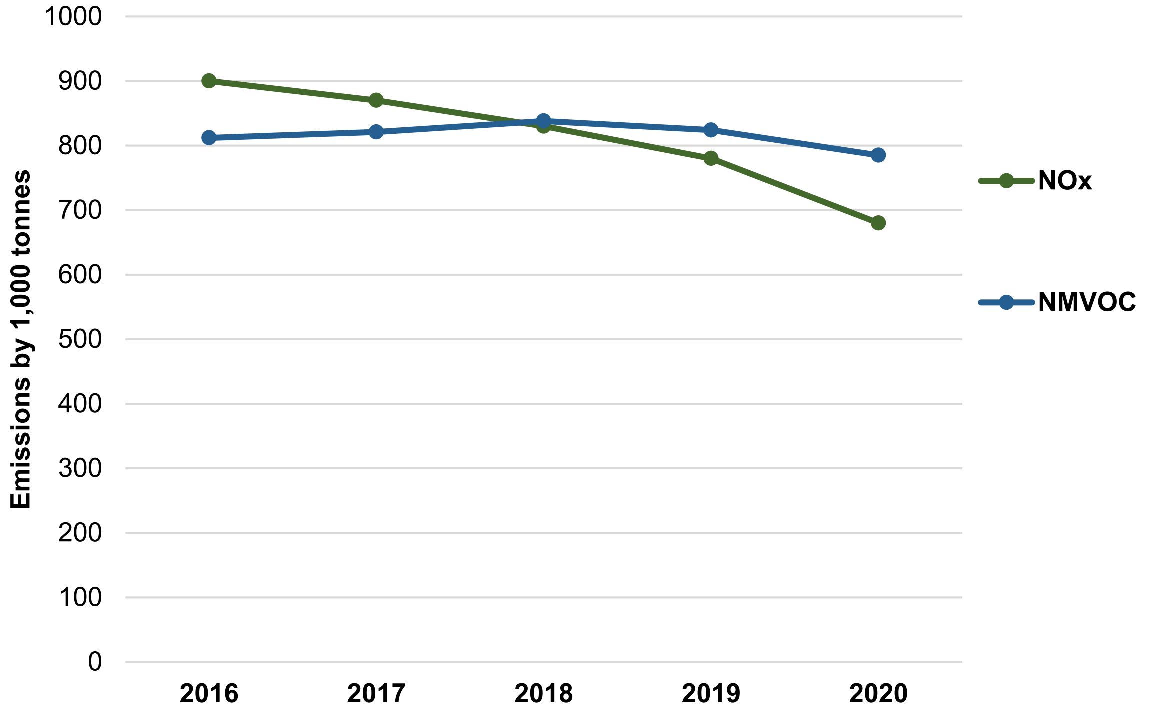
Clean Air Fund grants have helped to encourage fleet turnover to newer, less polluting vehicles, with specific grant types depending on the type of CAZ being implemented. We have also recently awarded £11.6 million from the Air Quality Grant Scheme to 41 local authorities in England for projects in local communities to tackle air pollution and reduce emissions affecting schools, businesses, and communities.

Indicator: Key air pollutants emissions: annual ammonia, fine particulate matter, nitrogen oxides, non-methane volatile organic compounds and sulphur dioxide

There has been a long-term decrease in the emissions of all the air pollutants; ammonia (NH3), nitrogen oxides (NOx), non-methane volatile organic compounds (NMVOC), particulate matter (PM2.5) and sulphur dioxide (SO2). PM2.5, SO2, NOx and NMVOC have met the 2020 target emission ceiling. However we are not projected to meet the 2030 ceilings without additional measures. The revision to the National Air Pollution Control Programme will set out potential additional measures to achieve the 2030 ceilings.

The trends in five main air pollutants between 2016 and 2020 are shown in the graphs, Figure 1 and Figure 2, below[12].

[11] Restrictions on sale of coal and wet wood for home burning begin – https://www.gov.uk/government/news/restrictions-on-sale-of-coal-and-wet-wood-for-home-burning-begin.
[12] Charts showing performance against emissions ceilings can be found on gov.uk (https://www.gov.uk/government/statistics/emissions-of-air-pollutants)



Defra copyright © 2021. This data is licensed under the Open Government Licence 3.0. Data source: Emissions of air pollutants in the UK.
Note - NOx data excludes agricultural emissions

Figure 1: Trends in air pollutant emissions for NOx and NMVOC

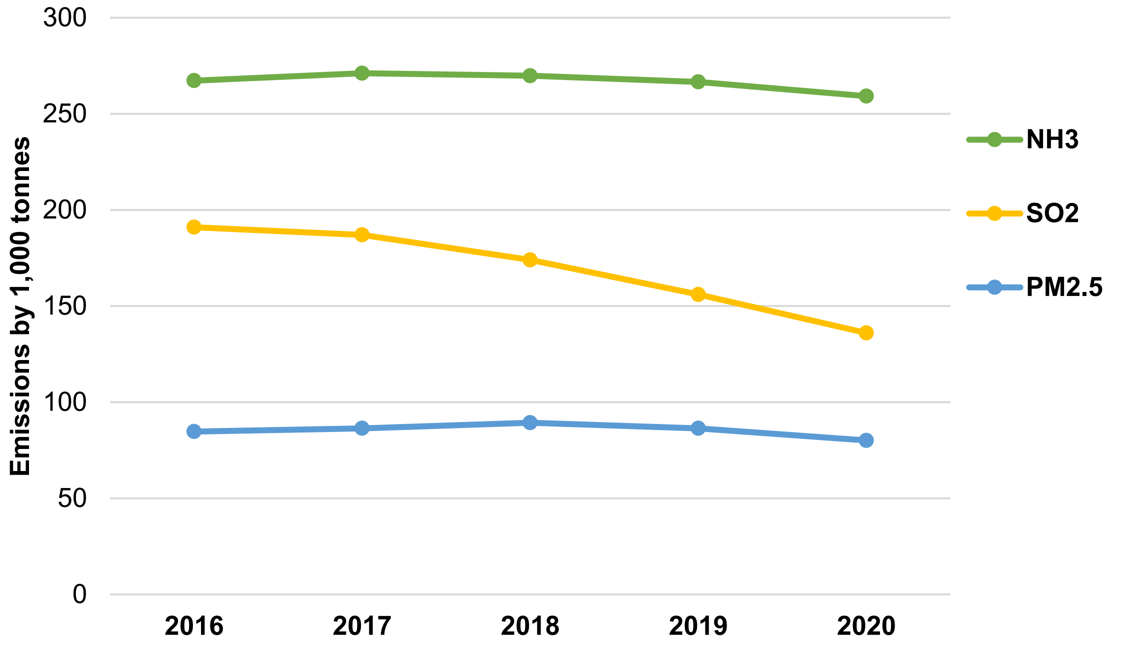


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Figure 2: Trends in air pollutant emissions for NH3, SO2 and PM2.5

PO1: clean and plentiful water

In 2021-22, we funded the Coal Authority (£6.86 million) to operate three existing mine water treatment schemes and continue construction of a fourth, plus other actions to clean up our river environments. We funded the Environment Agency (EA) (£0.42 million) to carry out technical scrutiny identifying future priorities and programme assurance.

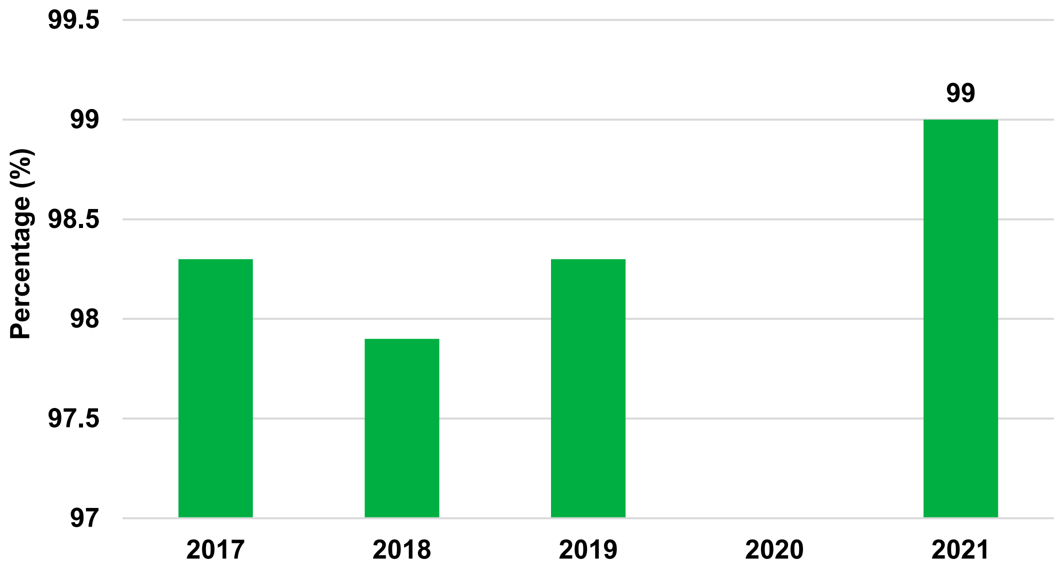
We have almost doubled funding for the Catchment Sensitive Farming (CSF) Programme to tackle water pollution from farming. We have also recently increased funding to the EA for 50 new farm inspectors, who will be targeted at high-risk river catchments.

In March 2022, we launched the consultation for the new, legally binding long-term Environment Act Targets. This includes water target proposals for abandoned metal mines, nutrient pollution from agriculture and wastewater, and a target to reduce water demand.

Credit: Getty Images

Indicator: Percentage of bathing waters reaching minimum standard

Our overall aim is to bring 98 per cent of bathing waters to minimum standards. We have maintained 99 per cent of bathing waters as of December 2021. The bathing season falls between 15 May to 30 September, throughout this season the EA monitors Escherichia coli and intestinal enterococci in the water.



Data source: Environment Agency
Note - Due to Coronavirus restrictions during the 2020 bathing water season, there was no classification in 2020

Figure 3: Percentage of bathing waters reaching minimum standard

Indicator: Number of kilometres of enhanced and protected water

This year a total of 1,527 kilometres of water environment have been enhanced. This brings the total to over 12,000 kilometres enhanced since the publication of the 2015 updated River Basin Management Plans (RBMPs), exceeding the overall target of achieving 8,000 kilometres by December 2021.

Examples of enhancements achieved include improvement made to farm infrastructure, enhancements of English rivers, tackling pollution, maintaining access to eel and internationally importance species, removal and treatment of highly invasive non-native species, and providing advice and support to farmers.

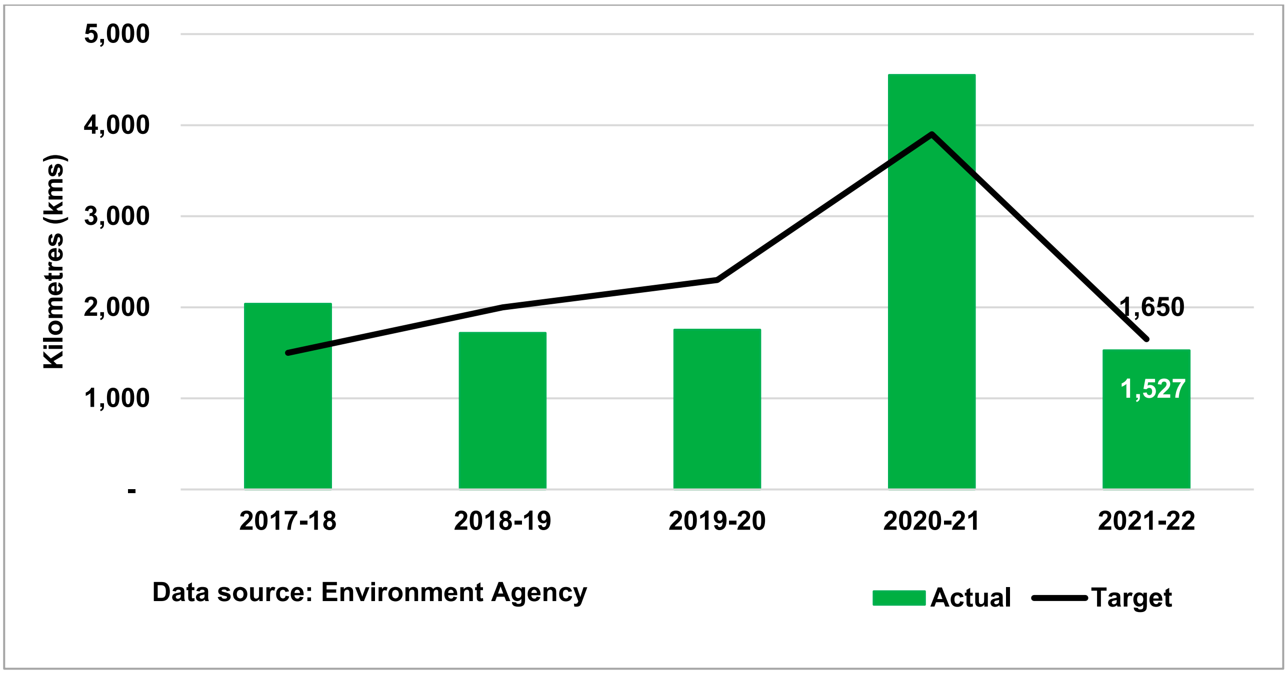


Figure 4: Kilometres of water environment enhanced

In July 2021, we published our response to a public consultation on personal water usage, setting out measures to encourage water efficient products and introduce more consistent approach to leakage. This will support the measures set out in the Environment Act to further help us secure long-term and resilient water and wastewater services. In October 2021, we published our RBMPs, consulting on the framework used to protect and improve the quality of waters in each river basin district. The aim is to enhance nature and the natural water assets that are the foundation of everyone's wealth, health and wellbeing, and the things people value, including culture and wildlife.

Indicator: Percentage of waters close to their natural state

Performance remains at 16 per cent against the long-term target of 75 per cent. Water quality remains a high government priority with action to improve it taking place across a wide range of policy areas. While there has been no significant improvement during 2021, we have made a significant effort in preventing further deterioration which demonstrates the high degree of challenge in meeting water targets. Successful actions across a range of policy areas include reducing pollution from wastewater, progressing measures to tackle diffuse pollution from agriculture, and through developing legally binding targets under the Environment Act.

PO1: minimised waste, including marine litter

There is significant environmental pressure from the extraction, production and disposal of material resources. We have progressed delivery of the Government's Resources and Waste Strategy 2018, including our Collection and Packaging Reforms (CPR) schemes. These comprise Extended Producer Responsibility (EPR) for packaging, a Deposit Return Scheme for drinks containers and ensuring more consistent recycling collections. The CPR programme has developed policy positions informed by consultation responses and engagement with delivery partners, including the devolved administrations. The EPR government response has been published and those for the other two CPR projects are due in 2022.

In May 2021, we increased the single use carrier bag (SUCB) charge from five pence to ten pence and extended it to all retailers[13]. This is expected to reduce SUCB issued by micro, small and medium-sized enterprises by 80 per cent within 10 years. In November 2021, we launched a consultation proposal to ban the supply of single-use plastic plates, cutlery and balloon sticks, and expanded and extruded polystyrene food and beverage containers[14]. We are committed to addressing other sources of plastic pollution, which is why we also ran a call for evidence to help us gather information on other problematic plastic items and help inform future policy making.

In March 2022, we opened a consultation on a target to reduce residual waste (excluding major mineral wastes) kg per capita by 50 per cent by 2042 from 2019 levels.

We continue to support WRAP (the Waste & Resources Action Programme) with grant funding of £9 million in 2021-22 for programmes in the food, textiles, plastics and recycling sectors. This includes food waste prevention action, such as supporting the annual Food Waste Action Week, and Courtauld 2030, a voluntary agreement with business that works to tackle food waste across the supply chain. In September 2021, WRAP published a progress report on the Food Waste Reduction Roadmap, a key vehicle for helping businesses waste less and achieve the target to halve food waste by 2030. The report showed that 251,000 tonnes of food worth £365 million was saved from going to waste over the year.

Through the Fisheries and Seafood Scheme, we have continued to support Fishing for Litter, a litter bycatch removal scheme for commercial fishers which provides fishing boats with bags to dispose of marine litter collected during normal fishing operations.

We supported the proposal by Rwanda and Peru that led to negotiating a legally binding treaty to end plastic pollution being agreed at the United Nations Environment Assembly in March 2022. We continue to work with our partners on a global level on this important issue including through the High Ambition Coalition to End Plastic Pollution. This new treaty will build upon our work to tackle marine litter domestically and regionally with a new Regional

[13] https://www.gov.uk/government/publications/single-use-carrier-bags-why-were-introducing-the-charge/carrier-bags-why-theres-a-5p-charge
[14] https://www.gov.uk/government/news/plans-unveiled-to-ban-single-use-plastics

Action Plan on marine litter, as well as our ambitious commitments through the G7 and G20 to prevent plastic from entering the ocean.

Indicator: Number of high-risk illegal waste sites

This year we reduced the number of high-risk illegal waste sites to 194 against a target of 200. We continue to be cautious of these results due to the ongoing transition out of the pandemic which has impacted on reporting levels and site substantiation.

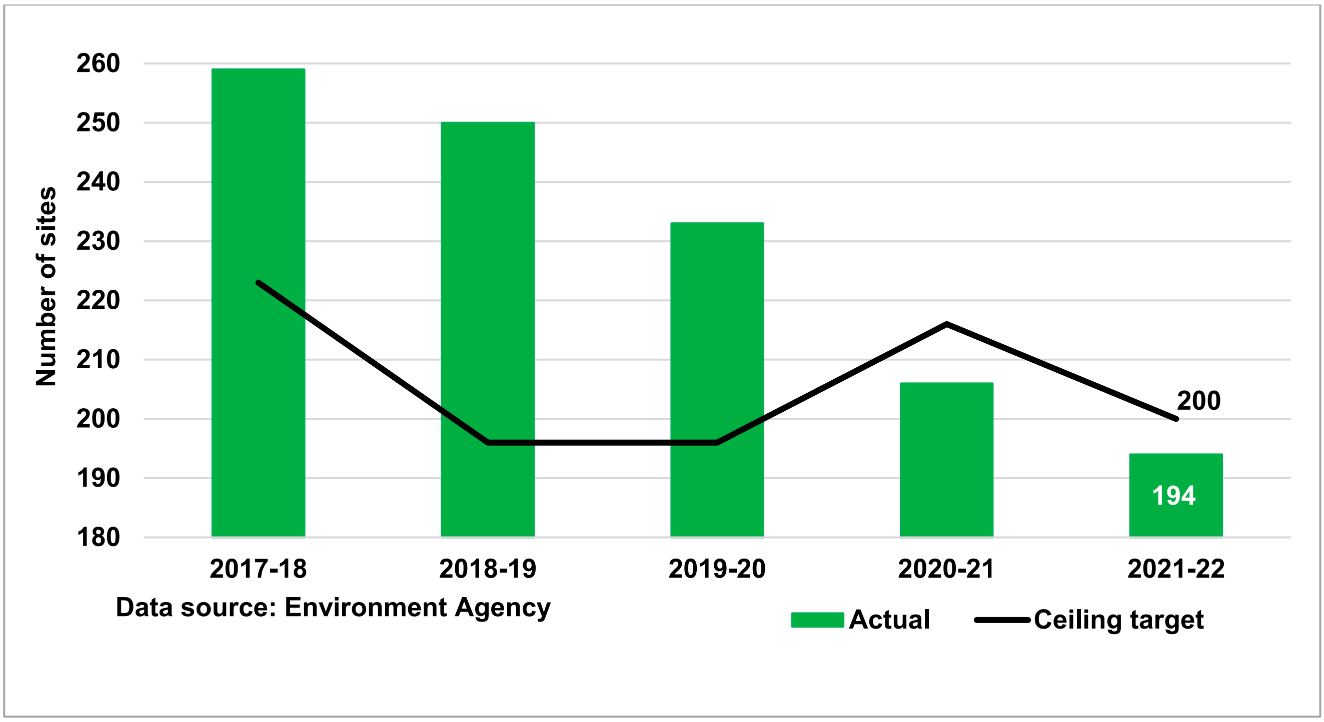


Figure 5: Number of high-risk illegal waste sites

Indicator: Municipal waste recycling rate (per cent)

Until we have a formal methodology for calculating the increase in the municipal waste recycling rate, we currently collect data for the closely linked 'waste from households' (WfH) recycling rate. In 2020, the recycling rate for WfH was 44 per cent, a decrease of 1.5 per cent to the prior year 2019. The decrease seen in the recycling rate for 2020 reflects the impact of the COVID-19 pandemic. The impacts were increased household waste due to lockdowns, disruptions to kerbside collections and closures of household waste recycling centres.

PO1: thriving plants and terrestrial and marine wildlife

In May 2021, a new England Species Reintroductions Task Force was announced by the Secretary of State, with the aim of establishing it later in 2022 to provide a collective evidence-based view on potential species for conservation translocation and reintroduction in England.

In July 2021, Defra group announced that 90 projects would receive almost £40 million through Round 2 of the Green Recovery Challenge Fund[15]. The fund aims to kickstart

[15] https://www.gov.uk/government/news/multi-million-pound-boost-for-green-jobs-and-nature-recovery.

nature-based projects in England to restore nature, support climate change mitigation and adaptation, connect people with the natural environment, and create or protect jobs in the sector.

Between August and November 2021, we carried out a consultation on the approach to beaver reintroduction and management in England and we aim to publish a response in 2022-23.

In March 2022, we published the Nature Recovery Green Paper, setting out our ambition and proposed direction of travel to enable nature's recovery in England, how we will halt the decline in our biodiversity, and protect 30 per cent of our land and sea by 2030.

In March 2022, we launched a consultation on setting new, long-term environmental targets under the Environment Act. The Act provides for a nearer-term target to halt the decline in species abundance by 2030, a world-leading commitment, and introduces Local Nature Recovery Strategies (LNRSs) to underpin the development of the Nature Recovery Network. The consultation also proposes targets to increase species abundance by at least 10 per cent by 2042, compared to 2030 levels; improve the England-level GB Red List Index for species extinction risk by 2042, compared to 2022 levels; and create or restore more than 500,000 hectares of a range of wildlife-rich habitats outside protected sites by 2042, compared to 2022 levels.

In March 2022, we published statutory guidance explaining the enforcement framework and civil sanctions that apply when someone commits an offence under the Ivory Act 2018.

Indicator: Number of hectares of priority habitat being created or restored

Our long-term proposed target is to create or restore 500,000 hectares of wildlife rich habitat outside the protected area network as set out in the 25 YEP. By January 2021, 38,235 hectares of priority habitat had been created since 2018. We have also created 72,537 hectares of arable field margins over the same period. This means a total of 110,772 hectares of habitat have been created over the three years since 2018.

In 2021, we consulted on the UK Marine Strategy Part 3, which details the measures the UK will use until 2027 to support progress towards Good Environmental Status in the marine environment. The consultation on net gain in Marine Protected Areas (MPAs) closed in September 2021, ahead of a full government response in spring 2022.

The UK has now designated 374 MPAs covering 38 per cent of our seas. Our MPA network covers 40 per cent of English waters within 178 sites. MPAs protect some of the best examples of our marine biodiversity by protecting specific habitats or species while allowing sustainable economic and recreational marine activities to continue. In June 2021, we committed to identify pilot Highly Protected Marine Areas, designated for the protection and recovery of marine ecosystems[16].

The Offshore Wind Environment Evidence Register, funded by The Crown Estate but developed within the Defra group was published in June 2021, providing for the first time a

[16] https://www.gov.uk/govenrment/publications/government-resposnse-to-the-highly-protected-marine-areas-hpmas-review

publicly accessible register of evidence gaps and research projects to support the knowledge base for the sustainable development of new offshore wind farms.

In August 2021, we launched the first set of programmes to receive funding from the £500 million Blue Planet Fund. This will increase marine protection, tackle plastic pollution and the decline of coral reefs, as well as supporting developing countries in nature-based solutions to tackle climate change and providing access to UK scientific expertise. Blue Planet Fund is also supporting the Global Ocean Alliance call to achieve the marine protection target of having 30 per cent of the ocean protected by 2030. There are now over 100 countries supporting this.

In March 2022, we published the Natural Capital and Ecosystem Assessment Programme[17] (NCEA) Defra group's flagship 3-year research and development programme. Part science innovation and part transformation, NCEA spans land, coast and sea, with £140 million NCEA projects over the next three years. The marine NCEA Programme successfully delivered its proof of concept year (2021-22), completing 20 projects across Defra group, (Cefas, EA, Joint Nature Conservation Committee, Marine Management Organisation and Natural England). The programme will fill gaps in the monitoring of marine biodiversity, allowing us to better understand the status of the environment and how it is affected by human pressures. This will enable us to embed environmental considerations into policy-making processes and help meet government targets to halt species decline and protect 30 per cent of the UK's land and ocean by 2030.

PO1: improved access to nature

In January 2022, we published a government response to the Landscapes Review[18]. In the response, we proposed and consulted on measures to improve the management of England's National Parks and Areas of Outstanding Natural Beauty (AONBs), including strengthened and aligned statutory purposes for National Parks and AONBs and a new national partnership to coordinate existing organisations with greater strategic direction.

Credit: Getty Images

The Nature Friendly School and Community Forest and Woodland Outreach projects have continued to work with primary, secondary, special and alternative provision schools with the highest levels of need across the country to deliver activities to increase children's access and connection to nature. The Growing Care Farming Project has enabled the number of farms registered as Care Farms to increase significantly. The availability of educational and therapeutic places increased by 54 per cent to over 675,000 per year. Although the delivery side of the Children and Nature Programme ended in March 2022, the evaluation part of this work will continue into the autumn of 2022. We will be building on our investment in this programme to work with Department for Education (DfE) on exploring opportunities to support education settings to deliver quality outdoor education.

17 https://www.gov.uk/government/publications/natural-capital-and-ecosystem-assessment-programme/natural-capital-and-ecosystem-assessment-programme

18 https://www,gov,uk/government/publications/landscapes-review-national-parks-and-aonbs-government-response

We funded the largest ever ocean literacy survey undertaken in England and Wales; published by the Ocean Conservation Trust (OCT) in June 2021. The survey, which will now be undertaken biannually, measured public awareness, attitudes, knowledge and behaviours related to the marine environment. With the responses from over 8,000 people, the findings will inform future policy and help Defra, partner organisations and stakeholders understand more about public awareness of ocean issues.

PO1: managed exposure to chemicals

We consulted on the draft update to the UK National Implementation Plan, between March and May 2021, for the Stockholm Convention on Persistent Organic Pollutants (POPs). This set out the information available to us for “new POPs” and our plans to monitor and eliminate them in the future.

In June 2021, we published the UK REACH[19] Consolidated Report and Work Programme setting out the activity that the Health and Safety Executive, the EA, and other relevant agencies, will carry out to operate UK REACH.

PO1: thriving rural economies and communities

We have responsibility for ‘rural proofing’ and a role to support government departments to consider the needs of rural areas in designing and delivering policies. We will shortly publish our second report on rural proofing which will set out how policies across government have continued to support rural businesses and communities to thrive and how the Government’s approach to levelling up will further benefit rural areas.

In 2021-22, considerable progress was made against the five key priorities identified in the first rural proofing report. In terms of improving digital connectivity, 30 per cent of rural premises now have access to gigabit-capable connections compared with 19 per cent in January 2021. Significant steps were taken in tackling rural crime by introducing legislation in the Police, Crime, Sentencing and Courts Act to crack down further on illegal hare coursing. We have continued our work to connect people with nature and the countryside, with important benefits for wellbeing and for rural businesses. One example of this is the England Coast Path which is on target to be fully walkable by the end of this Parliament.

These priorities will remain important in the year ahead. We have continued to improve the evidence base for rural areas by publishing the Statistical Digest of Rural England and commissioning original research into rural issues.

PO1: strong environmental governance (including OEP)

The Office for Environmental Protection (OEP) was created in November 2021, under the Environment Act. Its statutory functions commenced in January 2022. The OEP will protect and improve the environment by holding government and other public authorities to account. It will monitor, critically assess, and report on government’s progress in improving the natural environment in line with their Environmental Improvement Plans (EIPs), goals and targets and will enforce against failures to comply with environmental law. The OEP can receive and investigate complaints on alleged serious breaches of environmental law by

[19] https://www.hse.gov.uk/reach/index.htm

public authorities and has powers to take legal action in serious cases, if necessary, as a last resort.

In January 2022, we launched a consultation on the practical and legal implementation details of the new biodiversity net gain requirement. This is an approach to development which means that habitats for wildlife must be left in a measurably better state than they were in before the development.

PO1 - Links to UN Sustainable Development Goals (SDGs)

Our environment outcome delivers directly against: SDG6 to ensure availability and sustainable management of water and sanitation for all, SDG14 to conserve and sustainably use the oceans, seas and marine resources, and SDG15 to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. It also contributes to: SDG3 to ensure healthy lives and promote wellbeing, SDG11 to make cities and human settlements inclusive, safe, resilient and sustainable, and SDG12 to ensure sustainable consumption and production patterns.

Priority outcome 2 (PO2): Reduce greenhouse gas emissions and increase carbon storage in the agricultural, waste, peat and tree planting sectors to help deliver net zero

We continued to contribute to the Department for Business, Energy and Industrial Strategy (BEIS) led cross-cutting net zero ambition. Our key programmes take a dual approach: to minimise emissions or maximise carbon sequestration whilst taking account of our wider environmental commitments. We are responsible for reducing emissions from agriculture, land use (including peat), fluorinated greenhouse gases and waste (including wastewater), whilst simultaneously increasing England's carbon sequestration potential through our forestry policies.

In May 2021, we set out the England Trees Action Plan and England Peatland Action Plan under the £640 million Nature for Climate Fund. Adapting to and mitigating against climate change is one of the biggest challenges of our generation and has already begun to cause irreversible damage to our planet and way of life.


Credit: Getty Images

The Net Zero Strategy 'Build Back Greener'[20] was published in October 2021, setting out new policies and proposals to accelerate emission reductions across our sectors. In the strategy, we committed to restoring 280,000 hectares of peatland by 2050 and trebling woodland creation rates in England by the end of this Parliament. We also committed to explore the near elimination of biodegradable municipal waste to landfill from 2028 and implementation of free separate food waste collections for all households from 2025. The Net Zero Strategy set a goal for 75 per cent of farmers in England to be engaged in low carbon practices by 2030, rising to 85 per cent by 2035. A number of the policies and proposals in the Net Zero

[20] https://www.gov.uk/government/publications/net-zero-strategy

Strategy are in early stages of development; progress will improve over time as policies are delivered. Progress in some sectors such as fluorinated gases, will be quicker as they are delivering on policies that are already in place, while new policies in other sectors will be designed to ensure we meet our goals. For example, we committed to a target to decarbonise agricultural emissions by up to 6 million tonnes CO2 equivalent per year in Carbon Budget 6, through the environmental land management schemes (Sustainable Farming Incentive, Local Nature Recovery and Landscape Recovery) and wider farming offers.

We have contributed towards the 10 Point Plan for a green industrial revolution, which was announced by the Prime Minister in November 2020. Our contributions include:

- We began a new six year investment programme in April 2021, investing a record £5.2 billion in around 2,000 new flood defence projects that will better protect 336,000 properties from flooding. The programme better protected over 32,000 properties from flooding in 2021-22.

- In June 2021, Defra group announced proposals for new protected areas across England, alongside an ambitious, landmark programme to examine how more areas could benefit from landscape improvements, and deliver more for people and nature.

- We awarded funding in July 2021 under the final round of the £80 million Green Recovery Challenge Fund (GRCF), bringing the total number of projects across England to 159.

- In February 2022, we opened applications for the first round of Landscape Recovery projects, keeping us on track to initiate at least 10 large scale projects by 2024 to deliver at least 20,000 hectares of restored habitat.

- We continued work on the Offshore Wind Enabling Actions Programme, which works across government, with the offshore wind industry and environmental groups to drive forward projects to facilitate the sustainable delivery of offshore wind in the marine environment, including reducing underwater noise impacts, facilitating the use of better data and scoping options for the implementation of marine net gain. These support government's ambitions to deliver net zero by 2050, through deploying 40GW of electricity from offshore wind in a way which protects the marine environment.

PO2: contribution to carbon budgets 4, 5 and 6

The Net Zero Strategy (as above) sets out our contribution to carbon budgets 4, 5 and 6 with appropriate internal governance procedures to ensure delivery. On our pathway to net zero, the UK has interim targets called carbon budgets. Carbon budgets restrict the total amount of greenhouse gases that the UK can emit over five-year periods, ensuring continued progress towards our long-term climate target. Carbon budget 4 is for the period 2023-27 and carbon budget 5 is for 2028-32. In June 2021, the Government set in law the sixth carbon budget (CB6) limiting the volume of greenhouse gases emitted from 2033 to 2037. CB6 reduces emissions by approximately 78 per cent by 2035 compared to 1990 levels.

The latest emission statistics for 2020 show that Defra's net zero sectors (agriculture, F-gases, Land Use, Land-Use Change and Forestry (LULUCF)[21] and waste) have seen decreased emissions from 2019, representing a total drop of around 5 per cent[22]. The decrease has been consistent with falling emissions since 2017 for the F-gas and Waste sectors. The fall however can largely be attributed to the COVID-19 pandemic suppressing activity. More contributions to this overarching outcome are set out below.

Indicator: Greenhouse gas emissions by sector (waste, agriculture) (million tonnes of CO2 equivalent)

Greenhouse gas emissions for the waste sector reduced by 6 per cent (1.5 MtCO2e) in 2020 compared to 2019. Throughout the 10-year period, waste figures have reduced by 38 per cent. The gas emissions for the agriculture sector dropped by 3 per cent (1.5 MtCO2e) in 2020 compared to 2019. However, this drop is within annual variability of reporting as emissions from agriculture have remained stable over the last decade.

Indicator: Total projected greenhouse gas savings through Defra policies included in the Energy and Emissions Projections (EEP)

The total projected greenhouse gas savings included in the EEP 2020 has not yet been published, instead an update reflecting the Net Zero Strategy baselines has been published. We are also reflecting on how yearly targets are developed as linear targets across sectors.

PO2: restored peatland and wetland habitat

In May 2021, we published the England Peat Action Plan[23], which sets out the Government's long-term vision for managing, protecting and restoring our peatlands, so that they provide a wide range of benefits to wildlife, people and the planet. This includes the Nature for Climate Fund, which aims to provide funding to restore 35,000 hectares of peatland by 2025 through two types of grant. In September 2021, we awarded approximately £16 million via the Restoration Grant to five projects in England to restore peatlands to a healthy state. In December 2021, through the Discovery Grant, we awarded over £4 million to ten leading projects to support them in unlocking the barriers to peatland restoration. The second round of these grants opened in spring 2022.

In the Net Zero Strategy, we set out a longer-term ambition to restore 280,000 hectares of peatland in England by 2050. To support this, we are implementing a range of policies that will mobilise private investment. Defra group allocated the first round of funding under the Natural Environment Investment Readiness Fund in July 2021. A package of reforms to the Peatland Code, including expanding it to cover more peatland types, will be implemented in 2022.

There is an established scientific consensus that burning of vegetation on such sites is damaging and that is why we have taken action to prevent further damage by bringing forward legislation that will limit burning of vegetation. The Heather and Grass etc. Burning (England) Regulations 2021[24] came into force on 1 May 2021. This legislation represents a crucial step in meeting the Government's nature and climate change mitigation and

[21] Land Use, Land-Use Change and Forestry
[22] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1051408/2020-final-greenhouse-gas-emissions-statistical-release.pdf
[23] https://www.gov.uk/government/publications/england-peat-action-plan
[24] https://www.legislation.gov.uk/uksi/2021/158/made

adaptation targets, including the legally binding commitment to reach net zero carbon emissions by 2050.

We need to end the use of peat and peat-containing products in horticulture in England. In December 2021, we published a full consultation on banning the sale of peat and peat-containing products in the amateur sector by the end of this Parliament in England and Wales, and asked for any evidence on the impacts of ending the use of these in professional horticulture and wider sectors. We are using the responses to improve our understanding of these challenges, including asking for views about potential exemptions for sectors for which the transition is particularly difficult.

Indicator: Hectares of peatland brought under restoration

We have restored 1,633 hectares of peatland in 2021-22 against a target of 4,143 hectares. Through the Nature for Climate Discovery Grant, Natural England has awarded over £4 million to ten leading projects across England, supporting them to begin preparing to restore up to 42,000 hectares of peatland. The grant, awarded in December 2021, will enable regional partnerships from the Somerset Levels to the Norfolk Broads and from Dorset to Northumbria to gather information, build new business models and unblock barriers to developing new approaches for peatland restoration.

PO2: increased tree planting and woodland management

We plan to at least treble tree planting rates in England by the end of this Parliament and maintain new planting at least at this level from 2025 onwards. We have already committed to increasing planting rates in England significantly beyond the current rate of approximately 2,100 hectares per year. This is supported by the England Trees Action Plan[25] which made a commitment to treble woodland creation by the end of this Parliament and the Net Zero Strategy commitment to maintain new planting at least at this level from 2025 onwards. The Government also announced it will boost the Nature for Climate Fund with a further £124 million of new money, ensuring a total spend of more than £750 million by 2025 on peat restoration, woodland creation and management.

We launched the England tree planting campaign in January 2022 to promote the range of grants and support available through the Nature for Climate Fund to drive behaviour change to support our woodland creation targets. Defra group relaunched some key funds in March 2022: Urban Tree Challenge Fund, Local Authority Treescape Fund, Tree Production Innovation Fund and Woods into Management Forestry Innovation Fund. We also launched the Environmental Targets Public Consultation in March 2022, including a proposed target to increase tree canopy and woodland cover in England from 14.5 per cent to 17.5 per cent by 2050.

Indicator: Hectares of trees planted (England only).

During 2021-22, we planted 2,700 hectares (provisional figure) of trees in England. Overall planting was 2,300 hectares of woodland creation and 400 hectares of trees outside woodlands. The pipeline is growing well with some 12,000 hectares of projects in early development through the Woodland Creation Planning Grant, and 4,000 hectares at scheme design stage. To stay on course we need to ensure several critical success factors

[25] England Trees Action Plan 2021 to 2024 - GOV.UK (www.gov.uk)

are in place; this includes communicating with landowners about the tree planting grants on offer and the transition plans to ELM; reducing application time and streamlining regulatory processes; and building up key skills in industry and supply in nurseries.

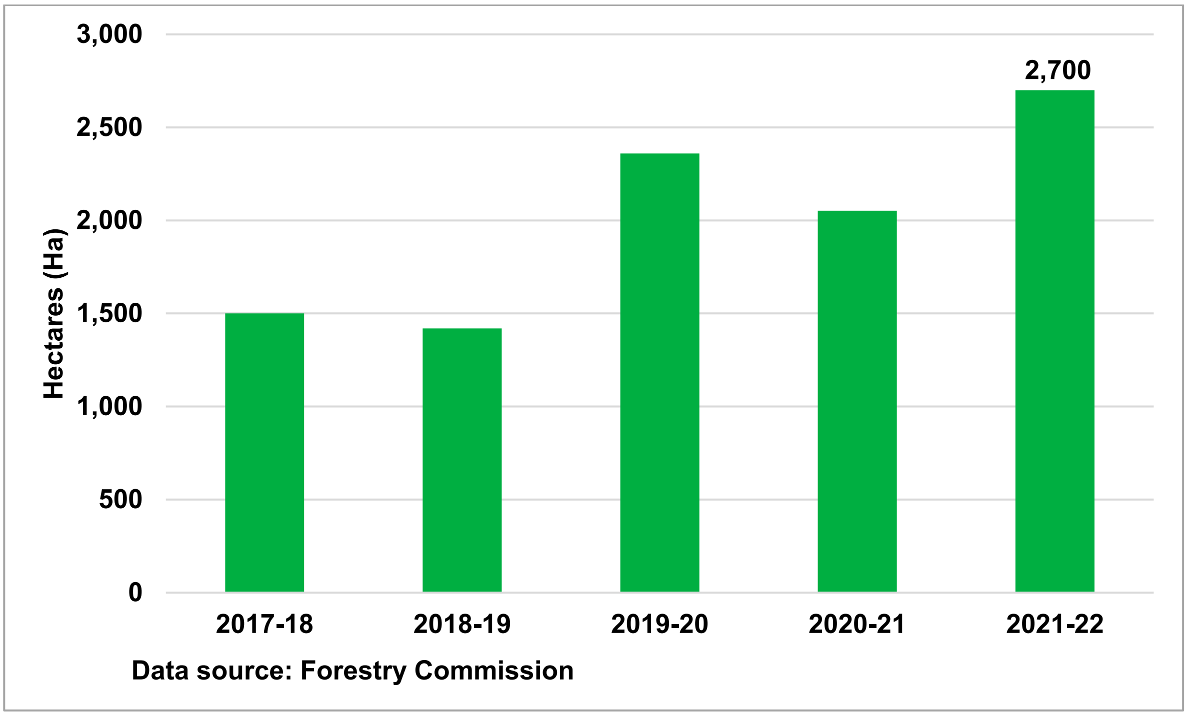


Figure 6: Hectares of trees planted (England only)

PO2: reduced emissions from agriculture and increased production of bioenergy crops

We continue to support low carbon farming and agricultural innovation through the Farming Investment Fund and the Farming Innovation Programme, which we launched in 2021-22, as well as our future environmental land management schemes, which we are developing ahead of rollout (starting with the Sustainable Farming Incentive later this year).

Credit: Getty Images

In December 2021, we made the first reduction in Direct Payments and we are reinvesting the money saved in agri-environmental, productivity and animal health and welfare schemes.

In the Net Zero Strategy we committed that 75 per cent of farmers in England will be engaged in low carbon practices by 2030, rising to 85 per cent by 2035.

The Climate Change Committee's 6th Carbon Budget report highlighted the significant potential for perennial energy crops and short rotation forestry to contribute towards our carbon budget targets by increasing soil and biomass carbon stocks while also delivering other ecosystem benefits. We will explore the potential role of biomass in delivering net zero across the economy in the Biomass Strategy.

PO2: decreased use of fluorinated gases

Defra is responsible for efforts in England to reduce use and emissions of fluorinated greenhouse gases (F-gases). We work with our counterparts in Scotland and Wales to run a joint, GB-wide F-gas system. Northern Ireland remains within the EU’s F-gas system, in accordance with the Northern Ireland Protocol.

The UK is ahead of schedule in delivering its international obligation to reduce the use of hydrofluorocarbons (HFCs, by far the most common type of F-gas) by 85 per cent by 2036 under the UN Montreal Protocol - the most successful climate policy to date. We are committed to exploring how we can go even further than this in support of the UK achieving net zero.

Indicator: Change in fluorinated greenhouse gases emissions

The HFC phasedown reduced the amount of HFCs placed on the market and this increased to a 55 per cent drop at the end of 2020, compared to a 2015 baseline.

PO2 - Links to UN Sustainable Development Goals (SDGs)

Our net zero outcome delivers directly against SDG13 which seeks to take urgent action to combat climate change and its impacts. It also contributes to SDG15 to protect, restore and promote sustainable use of terrestrial ecosystems and sustainably manage forests.

Priority outcome 3 (PO3): Reduce the likelihood and impact of flooding and coastal erosion on people, businesses, communities and the environment

We committed to double our investment in flood protection to a record £5.2 billion over six years from April 2021. This will deliver around 2,000 flood schemes across England and will better protect 336,000 properties from flooding by March 2027. We are also investing an additional £170 million of economic recovery funding to accelerate delivery in 22 areas.

In July 2021, the Government published an update on the significant progress that has been made to deliver the commitments set out in the Flood and Coastal Erosion Risk Management Policy Statement[26]. The further steps that we are taking include:

- Our published investment plan[27] which sets out what we will achieve from the £5.2 billion programme, how we will develop the portfolio of projects, and how we will manage the investment and track progress. The programme will better protect 336,000 properties and is forecast to reduce national flood risk by up to 11 per cent by 2027. It will help to avoid £32 billion of wider economic damages.

- An update report on surface water management[28] which includes progress to date with the Surface Water Management Action Plan[29] and our response to the independent review into surface water and drainage responsibilities[30].

[26] https://www.gov.uk/government/publications/flood-and-coastal-erosion-risk-management-policy-statement-progress-update/flood-and-coastal-erosion-risk-management-policy-statement-progress-update-2021-#investment
[27] https://www.gov.uk/government/publications/flood-and-coastal-erosion-risk-management-an-investment-plan-for-2021-to-2127
[28] https://www.gov.uk/government/publications/surface-water-management-a-government-update
[29] https://www.gov.uk/government/publications/surface-water-action-plan
[30] https://www.gov..uk/government/publications/surface-water-and-drainage-review-of responsibilities

- Updates to Flood Re which will allow insurers to help flooded households to make their homes more resilient to future flooding using products such as air brick covers, flood doors and flood resistant plasterboard - and benefit from discounted insurance premiums if they have these installed.

- Publishing a review of policy for development in areas at flood risk[31] which found that there are robust measures for flood protection, but also identified opportunities to further strengthen the system. We are working with DLUHC to take this forward.

- Publishing the terms of reference for a new advisory group[32] which will bring together key bodies to inform future policy proposals for reforms to local flood risk management planning.

- Publishing a summary of responses[33] to a Call for Evidence on local factors in managing flood and coastal erosion risk and property flood resilience.

PO3: reduced likelihood and impact of flooding and coastal erosion

We are expecting to have better protected over 30,000 properties from flooding in 2021-22 as a result of the £5.2 billion Flood and Coastal Erosion Defence Investment Programme. In addition, all schemes that were included in the Economic Recovery Funding Scheme commenced construction by the end of March 2022.

In April 2021, we issued a Ministerial Direction to all owners of registered large, raised reservoirs to make it a statutory requirement for them to have emergency (on site) plans.

Following the Toddbrook incident we commissioned, managed and published two independent reservoir safety reviews. We accepted all the recommendations from the first review, published in February 2020, and work to implement these is near completion. The second review was published in May 2021 and we are exploring the recommendations so that we have a safety regime fit for the long-term.

In November 2021, we published the final evaluation of the £15 million Natural Flood Management Programme[34]. Programme achievements include slowing and storing water upstream of 15,000 homes in areas at risk of flooding (the equivalent of 1.6 million cubic metres) and improving 4,000 hectares of habitat.

Following our announcement of the 25 areas which would receive a share of £150 million from the Flood and Coastal Resilience Innovation Programme[35], we began business case approval for these projects in November 2021 and in January 2022, projects started moving into their delivery phase.

[31] https://www.gov.uk/government/publications/review-of-policy-for-development-in-areas-at-flood-risk
[32] https://www.gov.uk/government/publications/local-flood-risk-management-planning-reform-advisory-group
[33] https://assets.publishing.service.gov.uk/government/uploads/systems/uploads/attachment_data/file/1006911/flood-coastal-erosion-call-for-evidence-summary-of responses.pdf
[34] https://www.gov.uk/government/publications/natural-flood-management-programme-initial-findings
[35] https://www.gov.uk/government/news/innovative-projects-to-protect-against-flooding-selected

Credit: Getty Images

A Statutory Instrument was laid in January 2022 on specific changes to the Flood Re insurance scheme to improve the efficiency and effectiveness of the scheme and encourage greater uptake. Changes to the scheme will allow insurers to help flooded households make their homes more resilient to future flooding using products such as air brick covers, flood doors and flood resistant plasterboard, and benefit from discounted insurance premiums if they have these installed.

We administered an extension of the Property Flood Resilience grant scheme for eligible properties impacted by flooding, enabled new or expanded Internal Drainage Boards through the Environment Act and worked jointly with DLUHC to ensure the National Planning Policy Framework better accounts for all sources of flood risk in the planning system.

Indicator: Number of properties better protected from flooding in England

2021-22 is the first year of a new 6-year programme, with the aim of better protecting hundreds of thousands of properties from flooding and coastal erosion, and investment of £5.2 billion in government funding in around 2,000 schemes. By the end of 2021-22 we had protected 32,908 properties which includes projects like Team 2100 Programme (Thames Delivery), Pevensey Bay Sea Defences, Exmouth Tidal defence scheme and Deal Beach management. This is below our 45,000 properties target due to several factors including the continued impact of COVID-19, winter flood events and supply chain disruption.

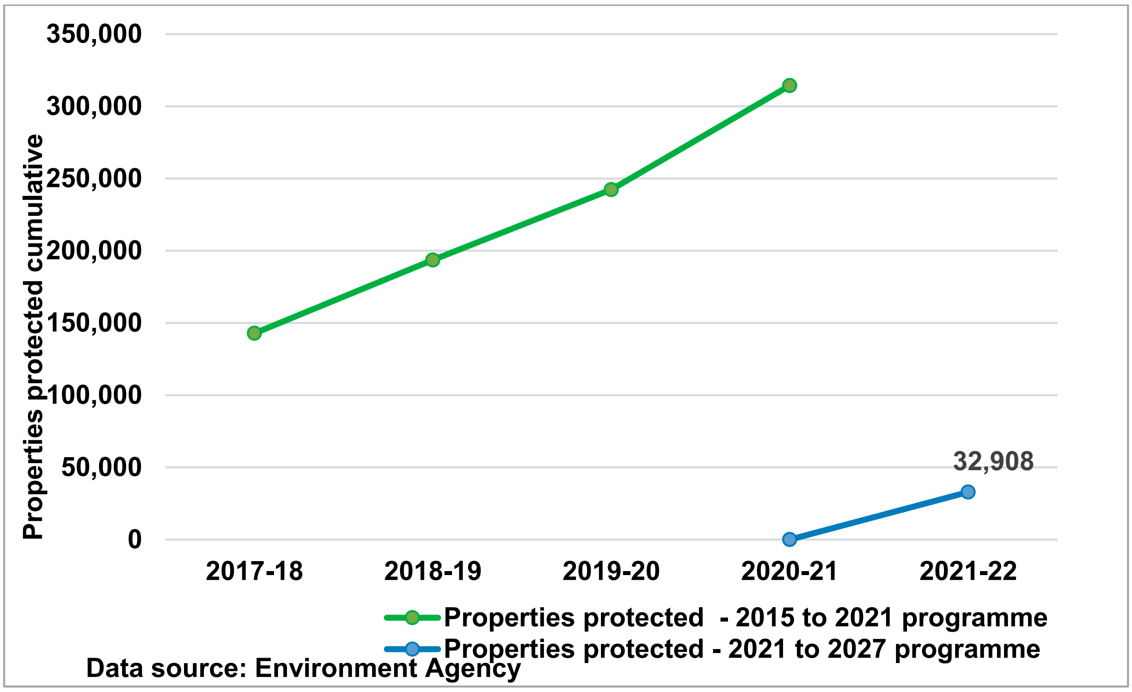


Figure 7: Properties protected from flooding

Indicator: Flood defence assets at required condition

During 2021-22, 91.8 per cent of flood defence assets were brought to required condition against the target of 98 per cent. Increased asset damage occurred during multiple significant flood events in early 2021, and COVID-19 restrictions impacted on delivery work. Errors in transitioning to a new system for recording assets has also contributed to the below target percentage.

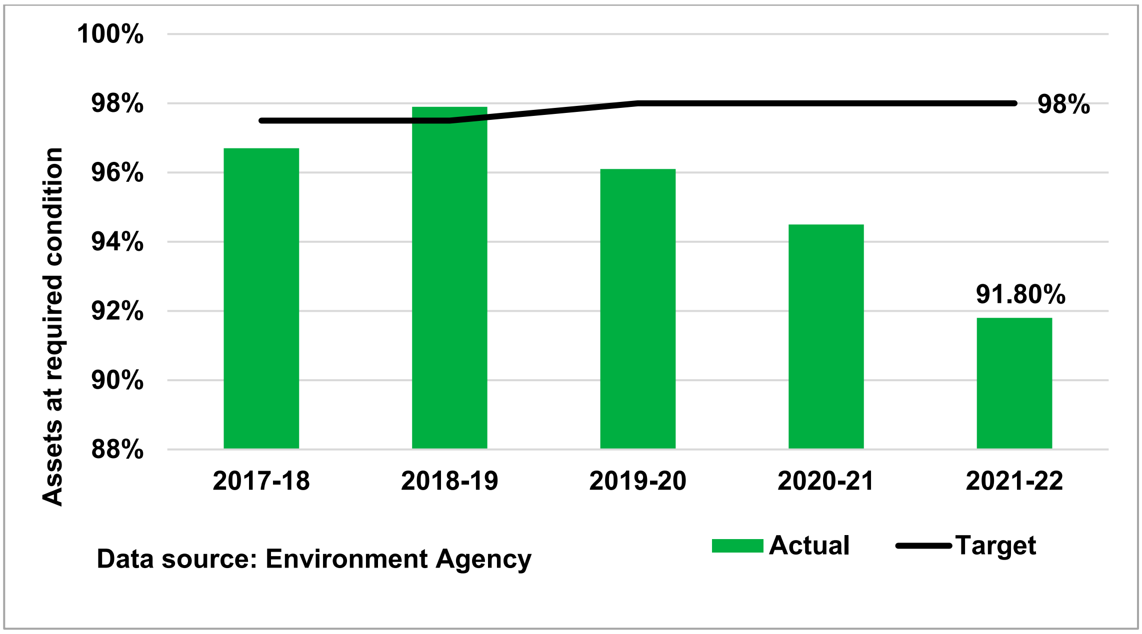


Figure 8: Flood and coastal risk management assets at or above the target condition

PO3: improved preparedness for the risks and opportunities from a changing climate

The Climate Change Committee's (CCC) 2021 Progress Report on Adaptation[36] was published in June 2021. This recognised the progress which has been made in flood and coastal erosion risk management through the publication of a new government Policy Statement and National Strategy on flooding and coastal erosion, alongside significant government investment. The Government response to the CCC report on progress in adapting to climate change[37] was published in October 2021 followed by the Government's assessment of UK Climate Change risk in January 2022[38].

Indicator: Climate change adaptation progress score by sector

The 2-yearly progress report from the Climate Change Committee (CCC) was published in June 2021. It broadly continues to show a mixed picture across government with areas needing improvement and others showing progress. The third National Adaptation Programme is in development and is due in 2023.

[36] https://www.theccc.org.uk/wp-content/uploads/2021/06/progress-in-adapting-to-climate-change-2021-report-to-parliament.pdf
[37] https://www.gov.uk/government/publications/government-response-to-the-climate-change-committee--report-on-progress-in-adapting-to-climate-change
[38] https://www.gov.uk/government/publications/uk-climate-change-risk-assessment-2022

PO3: rapid response to flooding, drought and other water supply incidents and a safe recovery from Chemical, Biological, Radiological and Nuclear (CBRN) incidents

Between April 2021 and April 2022, the Defra Emergencies Division led the response to two major flood events (October 2021 and February 2022), ensuring adequate steps were taken to protect impacted communities and infrastructure. We continue to work with national and regional partners to enhance England's resilience and preparedness for flood events. We have maintained resilience of the drinking water supply during a number of disruptive events, such as COVID-19, severe weather and a tightening of global supply chains.

PO3 - Links to UN Sustainable Development Goals (SDGs)

Our floods and resilience outcomes delivers directly against SDG13 which seeks to take urgent action to combat climate change and its impacts. It also contributes to SDG11 to make cities and human settlements inclusive, safe, resilient and sustainable.

Priority outcome 4 (PO4): Increase the sustainability, productivity and resilience of the agriculture, fishing, food and drink sectors, enhance biosecurity at the border and raise animal welfare standards

Our ambition is for the UK to be one of the world's leading food nations, renowned for excellence in every aspect of the food system. We are committed to ensure the safety of food available in the UK is not compromised. We will ensure that UK producers can continue to access markets and consumers have access to affordable foods. We will build the UK as a world leader in maintaining consumer confidence in food and drink, leading work on food standards and consumer information labelling, and working with partners on food safety.

We passed the landmark Agriculture Act, the most significant agricultural legislation for a generation. This gave government the powers to move away from the Common Agricultural Policy (CAP) towards a system where farmers are rewarded for delivering environmental improvements, over the next seven years.

Having left the Common Fisheries Policy, the Fisheries Act 2020 now provides the opportunity to reform how we manage our fisheries, control our waters and support our marine environment. We aim to ensure that our actions support sustainable, diverse, responsible and profitable fishing industries and improve the marine environment.

PO4: a secure, productive and sustainable agriculture system

As part of the Agricultural Transition plan, we are gradually reducing and then stopping the CAP's untargeted Direct Payments and instead investing the money in farm productivity and environment, climate and animal health and welfare. We launched the Future Farming Resilience Fund to provide free of charge business support to farmers and land managers during the early years of the agricultural transition. Any farmer or land manager currently in receipt of Direct Payments is eligible to apply. Other initiatives include the Farming Investment Fund[39] (launched in November 2021), Sustainable Farming Incentive pilot agreements, the Farming Innovation Programme[40] (launched in October 2021) and Improving Farm Productivity (launched in January 2022). In February we announced the Lump Sum Exit scheme, resulting in around 800 expressions of interest.

[39] https://www.gov.uk/guidance/farming-investment-fund
[40] https://www.gov.uk/collections/sustainable-farming-incentive-guidance

The first round of applications opened for the Landscape Recovery scheme in February 2022. This scheme is for landowners and managers who want to take a more radical and large-scale approach to producing environmental and climate goods on their land. We will continue to operate existing schemes and services whilst we develop new environmental land management schemes.

Our performance in issuing payments to farmers was a noteworthy achievement. From 31 December 2021 Rural Payments Agency (RPA) has paid out 101,300 eligible claims in the first month's payment window. This number represents 98.3 per cent of eligible claims to the Basic Payment Scheme, 62.2 per cent of claims to the Countryside Stewardship Scheme (CS) revenue and 64.6 per cent of claims to Environmental Stewardship Scheme 2021.

We are maintaining momentum in delivering new schemes whilst also reacting flexibly to emerging global issues which impact on the farming community. In March the Secretary of State (SoS) announced a package of measures to help farmers feel more confident in government support during a period of pressure and provide reassurance around food security. This included:

- More guidance on the Sustainable Farming Incentive[41] offer for 2022, providing details of eligibility, standards, and payment rates available this year and additional insight into further expansion of the scheme including the cost of annual health and welfare reviews.

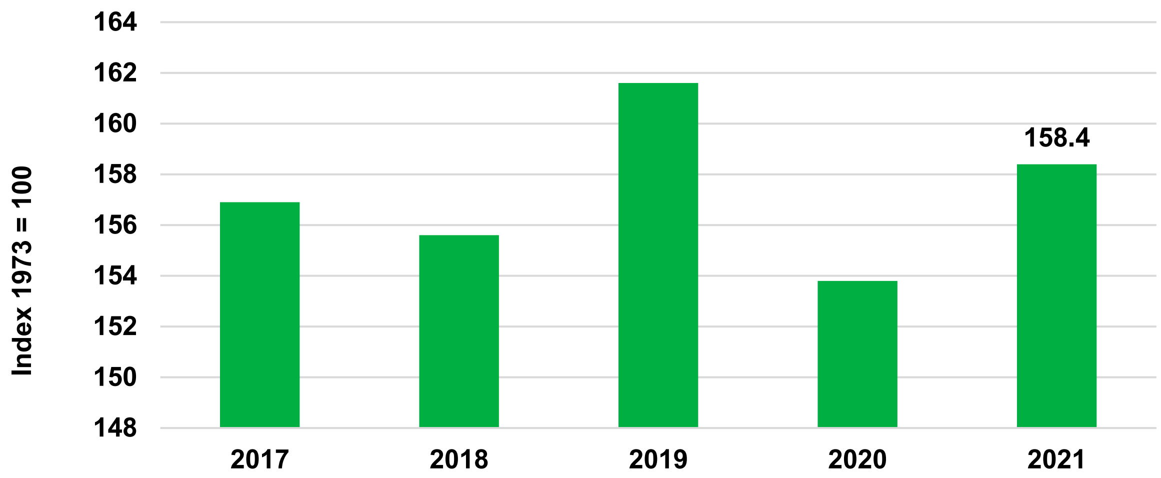
- Additional measures to assist farmers with the growing season, help address uncertainty and keep costs down including responding to the consultation on reducing ammonia emissions from urea fertilisers which delays the introduction of restrictions by a year and statutory guidance on how farming rules for water[42] should be implemented in relation to organic manures.

We continued to support initiatives launching two new competitions under the Farming Innovation Programme for large R&D partnerships and climate smart farming; scaling up the Resilience Fund and providing famers who wish to exit the industry with an opportunity to do so.

Indicator: **Productivity of UK agricultural industry**

Productivity of the UK agricultural industry fell 7 per cent between 2019 and 2020. As part of the future farming programme, we are introducing a range of measures aimed at improving productivity. These have been developed in conjunction with industry and include grants, benchmarking, a new entrant's scheme and supporting industry to set up the Institute for Agriculture and Horticulture.

[41] https://www.gov.uk/collections/sustainable-farming-incentive-guidance
[42] https://www.gov.uk/govrernment/publications/applying-the-farming-rules-for-water

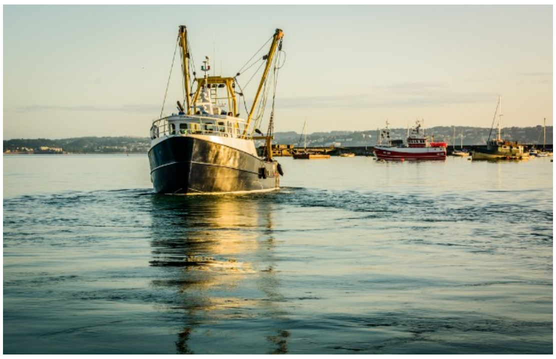


Data source: Total factor productivity of the agricultural industry- Gov.uk
Note: (1) TFP is subject to revisions with each new release
(2) the 2021 data is provisional

Figure 9: Productivity of UK agricultural industry

PO4 – outcome: a productive and sustainable UK fishing industry

In January 2022 we launched, with the devolved administrations (DAs), our public consultation on the draft Joint Fisheries Statement (JFS). This key element of our post EU exit fisheries management framework commits the UK Government and DAs to adopt an 'ecosystem-based approach' to fisheries that will contribute to achieving a prosperous fishing industry for future generations while safeguarding, restoring and enhancing the marine environment on which industry and wider society depends.



Credit: Getty Images

We are now developing new domestic fishing policies that are in the best interests of England, or where appropriate, the whole of the UK. Bespoke, flexible and transparent approaches at the most appropriate level for practical management tailored to species, locations and types of fishing activities will underpin a vibrant, profitable fishing industry that is resilient to climate change and protects our marine environment.

We initiated the Fisheries and Seafood Scheme (FaSS)[43] in April 2021 which provides financial assistance for projects that support the English fishing industry, with projects ready to deliver by March 2022. FaSS is updated annually to encourage continuous improvements, to reflect new policies and to adapt to changing markets.

We launched the UK Seafood Fund[44] in December 2021. This is a £100 million fund that supports the long-term future and sustainability of the UK fisheries and seafood sector. There are three areas of funding: science and innovation, infrastructure and skills and training. For the science and innovation pillar, launched 2021, grants were awarded under

[43] https://www.gov.uk/government/guidance/fisheries-and-seafood-scheme
[44] https://www.gov.uk/guidance/uk-seafood-fund

the UK Government led Seafood Innovation Fund along with eight innovative research projects funded under the Fishing Industry Science Partnerships (FISP) scheme. The Infrastructure Pillar launched Round 1 in March 2022.

Indicator: Percentage of total allowable catches for quotas for fish stocks of UK interest that have been set consistent with maximum sustainable yield

The assessment for 2022 shows that 44 per cent of the total allowable catches (TACs) which relate to maximum sustainable yield (MSY) advice, were set consistent with MSY advice (19 out of 43 TACs). The report published in March 2022 describes the assessment of TACs set during annual consultations for 2020, 2021 and 2022.

PO4: a productive and sustainable food and drink industry


Credit: ThinkStock Images

We are working to ensure that food and drink are produced to high standards of food safety, animal welfare and sustainability. We continue to support the food and drink industry and consumers through a variety of forums, supportive programmes and funding opportunities whilst ensuring we are delivering policy that drives the UK's high standards.

In November 2021, we helped to secure the UK Chairpersonship of the United Nations Food and Agriculture Organisation/World Health Organisation Codex Alimentarius Commission[45]. The UK candidate won by a wide margin, reflecting a successful six month campaign by us, the Food Standards Agency (FSA) and the Foreign and Commonwealth Development Office (FCDO), building on strong support for UK leadership in this important committee.

In March 2022, we hosted a Regional Food and Drink Summit attended by 120 SMEs and related organisations. The event highlighted the opportunities for growth for food and drink businesses.

We have laid legislation to make gene editing research easier. More resilient crops are key to meeting the challenges of climate change and food security and we are giving our researchers and farmers the tools they need to achieve this.

Moreover, we are considering the evidence Henry Dimbleby set out in both parts of his independent review of the food system, which will inform the Government's Food Strategy White Paper that will be published in 2022.

Overall, these actions provide a catalyst for growth for all regions of the UK and increase global recognition of the UK as an innovative food nation.

[45] The Codex Alimentarius, or "Food Code" is a collection of standards, guidelines and codes of practice adopted by the Codex Alimentarius Commission. The Commission, also known as CAC, is the central part of the Joint FAO/WHO Food Standards Programme and was established by FAO and WHO to protect consumer health and promote fair practices in food trade.

Indicator: Productivity of UK food industry

In 2019 the productivity of the food chain increased by 0.4 per cent while there was an increase of 0.6 per cent in productivity in the wider economy. In the 10 years prior to 2019, the average annual growth rate of the food chain was 0.6 per cent while the wider economy's average annual growth rate was 0.3 per cent. In 2019 two of the four food sectors had a higher productivity than in 2018; manufacturing increased by 1.8 per cent while catering increased by 4.5 per cent.

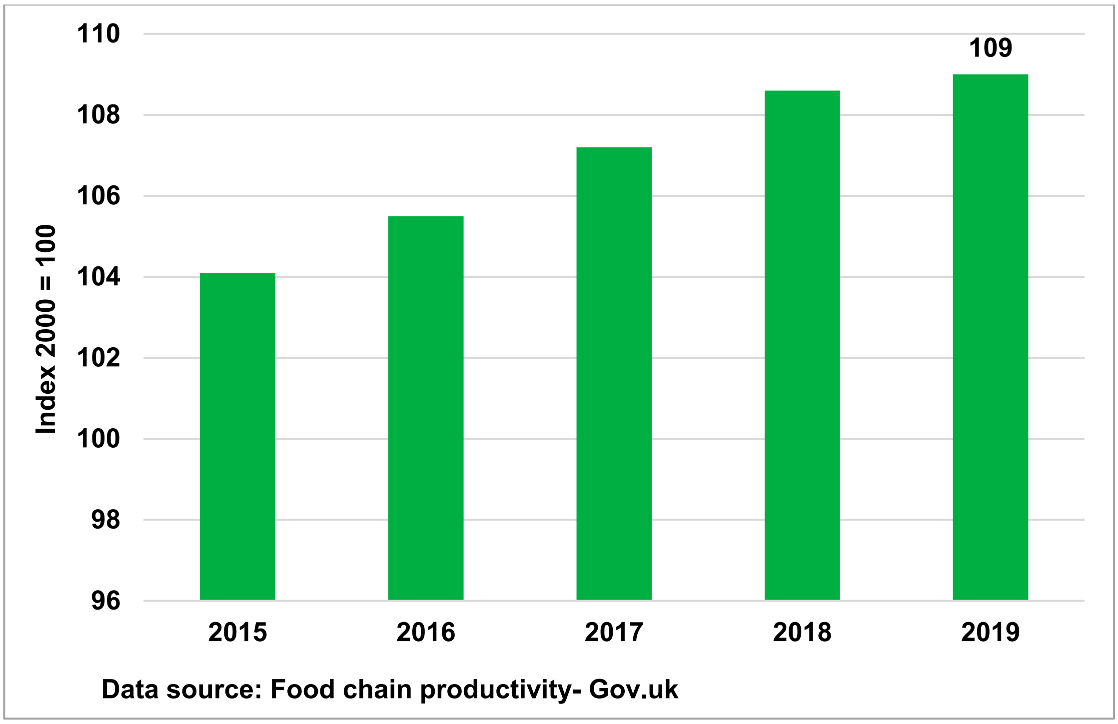


Figure 10: Productivity of UK food industry

Indicator: Value of UK food and drink exported

The value of UK food and drink exports decreased throughout the year. Exports were impacted by the end of the transition period, and border issues at the start of the of the year due to new COVID-19 controls at the French border. We expect to see trade recover as COVID-19 restrictions ease, although the effects of EU exit are expected to take longer to become clear.

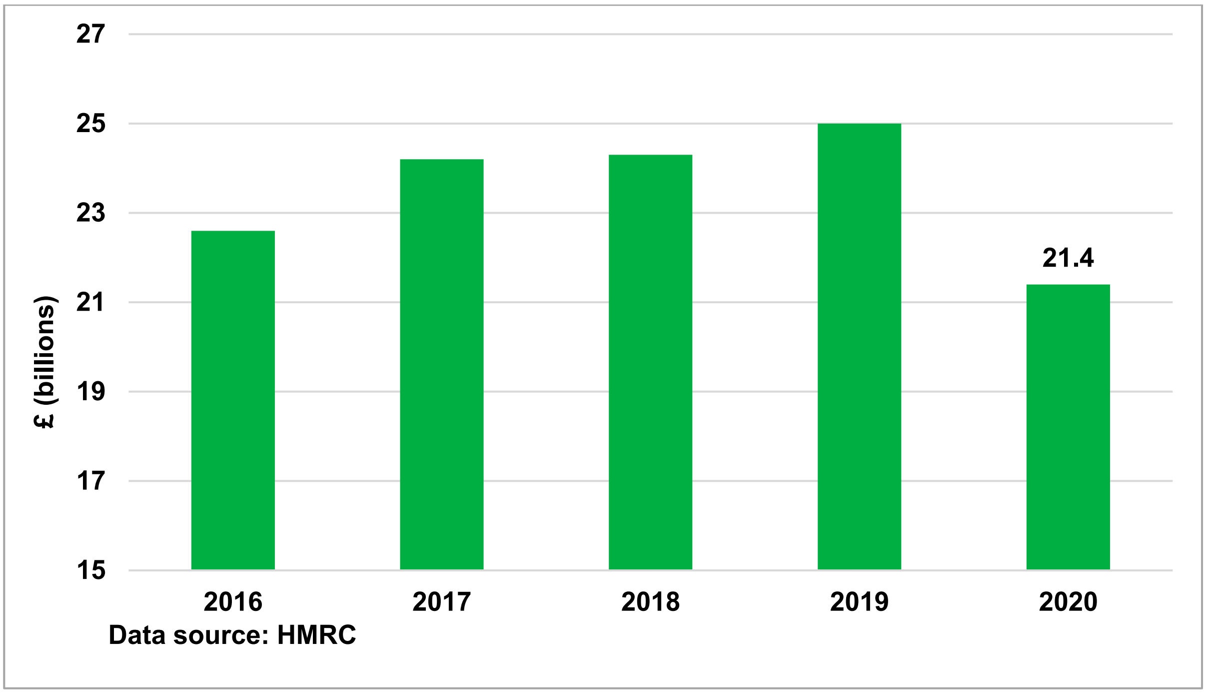


Figure 11: Value of UK food and drink exported from the UK (£ billion)

PO4: enhanced animal health and welfare and plant health

We have set out the next stage of our strategy to combat bovine tuberculosis (bTB) and launched clinical field trials on farms in England and Wales which are investigating the use of vaccinations. We also published our Action Plan for Animal Welfare[46], introduced the Animal Welfare Bills (Kept Animals/Sentience) to the House of Commons, and the Animal Welfare (Sentencing) Act came into force. The Government is also backing the Animals (Penalty Notices) Bill, a Private Members' Bill now awaiting Royal Assent. We launched a Pet Theft Taskforce to investigate the reported rise in pet theft since the start of lockdown. We are exploring policy options and drafting a call for evidence for a range of farm animal welfare reforms. In September 2021, the Governments of England, Scotland and Wales launched a 10-week consultation to inform Great Britain's (GB) approach to plant biosecurity over the next five years, with a new strategy to be published in 2022. We increased the frequency of bTB testing for cattle herds to sixth monthly in high-risk areas in summer 2021.

Credit: Getty Images

Since November 2021, we have responded to a record number of significant Avian Influenza outbreaks which placed pressure on both our Core department and the Animal and Plant Health Agency (APHA). This prompted new measures that created legal requirements for all bird keepers across the UK to keep birds indoors. This was following strict biosecurity measures to limit the spread and eradicate the disease. We intend to consult on the updated zoo standards later this year.

[46] https://www.gov.uk/government/publications/action-plan-for-animal-welfare

Indicator: Percentage of cattle herds that are bovine tuberculosis free

Bovine tuberculosis (bTB) is a slow-moving epidemic disease. We measure the percentage of cattle herds that are bTB free in England and our aim is to be 100 per cent bTB free by 2038. We have observed signs of improvement in all key measures of disease spread this year compared to last. In England, overall at end of March 2022, 94.9 per cent of herds were bTB free, an increase of 0.2 per cent from March 2021.

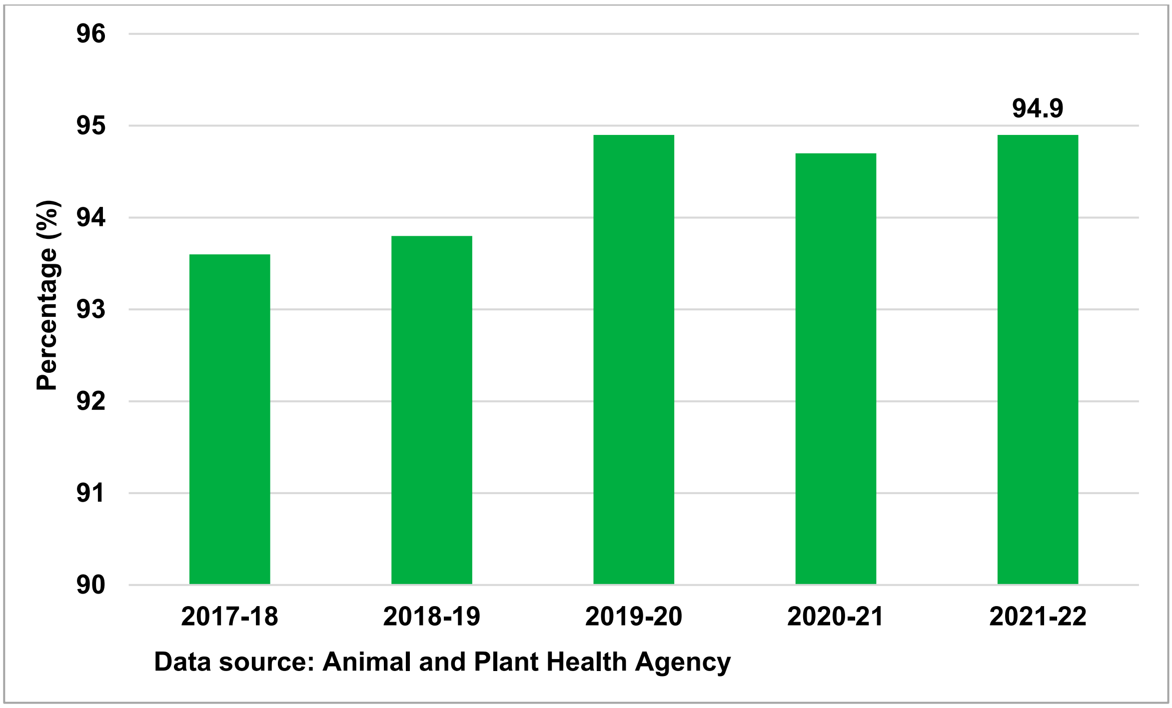


Figure 12: Percentage of cattle herds that are bTB free

Indicator: Number of high priority forest pests in the UK Plant Health Risk Register

The number of high priority forest pests and diseases remains at 14 for 2021, the same as 2020 and with no changes to the composition of the list.

The threat from plant pests and pathogens is significant and growing because of increasing globalisation and climate change. There is unlikely to be any reduction in this pathogen pressure. Protecting our new and existing trees from biosecurity risks is vital to delivering our long-term vision for trees and woodlands. Government action, whether pre-border, at the border or inland has increased, with the Plant Biosecurity Strategy for GB outlining our approach.

PO4: enhanced biosecurity at the border

We recently completed a public consultation to help inform the refreshed Plant Biosecurity Strategy. Respondents were asked about their views on the range of biosecurity measures currently in place and whether measures could be introduced in the future to strengthen our biosecurity regime. We have delivered veterinary pathogen data for inclusion in 2020 Veterinary Antimicrobial Resistance and Sales Surveillance (UK VARSS) report due for publication in November. This contains results from our new, gold-standard testing programme for veterinary pathogens. Taking a One Health approach to health is crucial, both now and in the future. We are in the middle of a global fight against a zoonotic disease and there is every chance that the next international health threat will have its origin at the human-animal-environment interface so collaboration, across sectors and internationally will be imperative. As the Border Phase 2 import controls were introduced on 1 January 2022, the Animal Health Regulation (AHR) Export Health Certificates (EHCs) went live in January 2022 and we launched the new £10 million Animal Biosecurity Infrastructure Fund in February 2022.

Indicator: Percentage of export health certificates and licences issued within agreed timescales

The volume of export health certificates and licences issued has increased compared to the previous year. This comes as a result of our exit from the EU. As of March 2022, 98.6 per cent of certificates and licences were issued within agreed timescales.

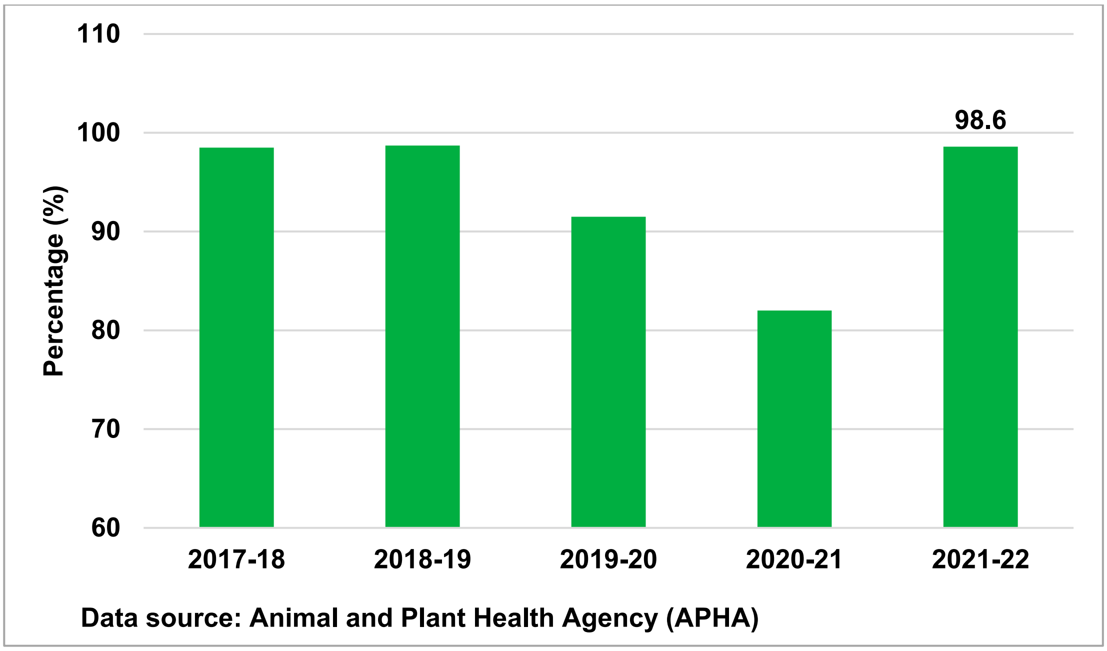


Figure 13: Percentage of export health certificates and licences issued within agreed timescales

PO4 - Links to UN Sustainable Development Goals (SDGs)

This outcome delivered directly against SDG2 to end hunger, achieve food security and improved nutrition and promote sustainable agriculture, SDG12 to ensure sustainable consumption and production patterns, and SDG14 to conserve and sustainably use the oceans, seas and marine resources.

Our strategic enablers: Supporting outstanding delivery – providing effective and efficient strategic direction and change management, delivery support and corporate services

To support the effective delivery of Defra group strategic plans and ambitions, our portfolio of corporate services provided the necessary capability, workforce skills, IT architecture and resources. These services were agile and robust in challenging circumstances and we continue to ensure they underpin the work of Defra group and deliver excellent value for taxpayers, our partners and customers (including industry, delivery partners, public bodies, Non-Government Organisations and Parliament). We will continue to attract and retain the best talent and develop the skills and capability necessary to address new challenges and take advantage of new opportunities. We aim to be a customer-focused, outward looking and data-driven department. We strive to ensure Defra group's priorities and plans are based on the best scientific, analytical and legal insights.

We play a leading role, working with the Government Science and Evidence profession, to develop a capability framework that will enable the attraction, growth and retention of science talent and increase the number and diversity of science internships, secondments, academic placement and apprenticeships.

Strategic enabler: Workforce, skills and location

Defra group recruited over 9,000 roles in 2021-22. This represented a high degree of internal churn, in addition to growth in arm's length bodies to meet public needs. There have been challenges in recruiting into specific professional roles (for example digital, project and veterinary) largely due to external workforce market forces (such as salaries and benefits) and skills shortages. To mitigate we have introduced specialised pay and capability frameworks to increase attraction and retention of staff in critical areas, as well as making use of external suppliers and contingent labour markets. In the case of vets, we commenced work to develop apprenticeship routes working alongside professional bodies and institutions. Across the wider range of professions, we made use of various career entry schemes actively supporting fast stream programmes, care leavers and summer diversity interns. We achieved 100 per cent of our Civil Service Enrolment target (243 enrolments) for apprenticeships. Recognising apprenticeships as an important part of developing our workforce capability, by March 2022 we had 982 people on the apprenticeships scheme (from admin to degree level) across Defra group.

Throughout the year we have continued to support staff working in varied ways as the Government's lock down rules evolved. We participated in COVID-19 workplace testing pilots and worked across Defra group to follow government guidelines and ensure our people were able to work safely in any required workplace setting – whether in laboratories, field work, offices or working from home. As part of focussing on future ways of working, we established three 'early adopter' property projects to demonstrate the possibilities of hybrid work settings. These pilots, in London, Bristol and Birmingham, provided a better mix of traditional office settings with greater space for meetings and collaboration. These layouts are consistent with the broader Government Property Agency vision for future workplaces.

During the year we reset our Group Corporate Services transformation agenda, reviewed and strengthened our group governance, and produced service catalogues across all corporate service enabling lines to ensure clarity of offer and affordability.

We opened a further hub in Newcastle and now have offices in Scotland and Wales. We are working to open a site in Northern Ireland in 2022-23. We have started the development of outside of London recruitment.

Indicator: People survey engagement score

Our engagement score was 66 per cent in 2021 which was a rise of one per cent from 2020.

Indicator: Representation of female staff, ethnic minority staff and disabled staff

Over 2021-22, there has been steady but small improvements in diversity representation across the Defra group. The Defra Group Equality, Diversity and Inclusion (EDI) plan for 2022-23 includes actions to improve progression and inclusive recruitment, with a focus on strategic priorities of ethnicity and disability. The new Inclusion Leadership Group will lead the delivery of activity to drive positive EDI change. Analysis of people surveys will be used to understand what more can be done to improve lived experiences of ethnic minority, LGBT+ and disabled employees.

Strategic enabler: Innovation, technology and data

We continued providing updated laptops to staff (with over 30,000 devices issued[47]), improving our infrastructure, and releasing new features to our collaboration software and network tooling. Our annual IT survey showed 64 per cent of staff felt their IT enabled them to work effectively (compared with around 20 per cent two years ago). Our Defra group Legacy Applications Programme has had early success in updating a number of initial business applications, reducing risk of failure and improving user experience.

We continued to modernise our Digital Data and Technology model, for example setting out our service catalogue and planned approach to product management for Defra group's services.

We delivered a number of important, new key digital services, including fully digital journeys for export health certificates, a digital service to handle avian influenza, the Northern Ireland Digital Assistance Scheme (DAS), and digital services to support policies including Clean Air Zones (CAZ), the ivory ban[48] and the Sustainable Farming Incentive. We also launched the check for flooding service[49] which replaces the legacy Flood Information Service (which had 6.6 million unique users last year).

We also led on sustainable technology across government and industry - highlighted at COP26 where we co-hosted a Tech for Climate Action event involving over 300 of the UK's main technology suppliers. This showcased our sustainable technology work, such as producing industry certification; including IT within the Greening Government Commitments for the first time; and adding sustainability within Cabinet Office spend controls.

Alongside these important deliveries, we continued to modernise how we provide Digital Data and Technology Services (DDTS) within Defra group. For example we set out our DDTS service catalogue and piloted our approach to product ownership through two successful pathfinder exercises. This updated partnership approach was reflected in our

[47] This includes devices issued to Environment Agency staff who are not included in the resources section of chapter 1 – see footnote 9
[48] https://www.gov.uk/guidance/declare-ivory-you-intend-to-sell-or-hire-out
[49] Https://www.gov.uk/check-flooding

work to develop SR21 bids which secured substantial funding to remediate technical debt across Defra group.

Through 2021, we piloted a new data science capability to enable a significant improvement in the analysis of data for deriving insight useful in policy making and delivery across Defra’s objectives. We are linking this with broader initiatives to improve the accessibility and reusability of data and the behaviour and skills to make Defra a data-driven department.

Strategic enabler: Delivery, evaluation and collaboration

In March 2020, the Government committed to transform the animal science facility at Weybridge. The Science Capability in Animal Health (SCAH) Programme will secure the future of this critical national asset and the world class science it delivers. The SCAH Programme represents a significant investment in the Weybridge site over a 15-year period and highlights the importance of the UK having a strong international reputation for animal health science. This investment will improve our scientific infrastructure, enhance our ability to build influence around the world and be at the cutting edge of animal health science, attracting and working with the world’s best scientists. Work is already underway to transform the Weybridge campus, paving the way for a future science hub which supports our well-prepared national disease control and international reputation as experts in animal science. In February 2022, a £200 million investment[50] was confirmed by the Secretary of State for the next phase of this long-term programme to future-proof our animal health capabilities.

We continued to press the EU for swift association to the Copernicus Programme, such as in the Specialised Committee for Participation in Union Programmes in December 2021.

At COP26, hosted in Glasgow in November 2021, we demonstrated the UK's leadership of Earth Observation, at Earth Information Day[51].

The Earth Observation Centre of Excellence delivered new programmes on upland burn and the Living England map, a habitat probability map for the whole of England, created using satellite imagery, launched on 5 April 2022.

Collaboration on research continued with UK Research and Innovation and its Research Councils, including programmes under the Strategic Priorities Fund valued at around £220 million; and with European partners via European Research Area-networks on projects worth approximately £190 million.

In June 2021, we published our Defra Group Research and Innovation Interests (DGRIIs) 2021[52]. This document sets out our high-level areas of research and innovation interest, with the aim of supporting ongoing and new engagement with the external research community.

[50] https://www.gov.uk/government/news/200-million-investment-to-fight-zoonitic-diseases
[51] https://ukcop26.org/wp-content/uploads/2021/10/Earth-Information-Day-Event-Plan.pdf?msclkid=5e48b679c08e00ec8200c709f3d97fcb
[52] https://www.gov.uk/government/publications/defra-group-research-and-innovation-interests-2021?msclkid=59d2975bc08611ec8724d36ac176f05

Strategic enabler: Sustainability

Group wide leadership

Building on Defra group's ambitious environmental and social sustainability goals, a central sustainability strategy team has been recruited to co-ordinate with the 33 arm's length bodies (ALBs). Central to this is the sustainability leadership group, made up of representatives from ALBs delivery partner organisations, who co-ordinate internal sustainability practices and supports the delivering against our Greening Government Commitments.

Bringing together our ALB partners has enabled a diverse range of sustainability experts from across Defra group to join forces to set the vision and strategic priorities feeding into sustainability strategy.

Greening the way we make decisions

While we continue to green our IT, buildings, fleet and commercial activity, we are now improving the way we make sustainable decisions by integrating the requirement for sustainability assessments (along with guidance) into our business case templates and added a requirement for proposals to our Executive Committee to set out sustainability implications.

We have calculated a new Defra group baseline data year to further understand our impacts on emissions, water and waste, underpinning the monitoring of our progress against sustainable targets and environmental impacts.

Greening our culture

We have increased resource to deliver the internal Defra group sustainability strategy. Learning resources have been made available to colleagues including conversation packs, information around business and personal impact to enable green choices. We launched our Defra group sustainability hub site in February 2022 for internal staff. It provides information, resources, and links to information from ALB partners. Work has also begun with the new government curriculum, which will include modules on the implications of net zero, climate change and wider environmental issues for government.

For a more detailed breakdown of our sustainability performance see Annex 3.

Indicator: Our departmental greenhouse gas emissions.

Our total emissions reductions improved to 50 per cent in 2019-20 from 46 per cent in 2018-19.

Sustainable development

Defra plays a crucial role in ensuring a sustainable future. We continue to work with a wide range of government departments to drive forward sustainable development thinking especially on developing the Sustainability Pillar of the Government Strategic Framework.

Defra's role in sustainability leadership

We promote sustainability leadership across government by co-ordinating the Greening Government Commitments (GGCs), which set targets for all departments to improve the sustainability of their own estates and operations, and report publicly on the progress made. The current GGC framework sets targets for reducing the Government’s greenhouse gas emissions, domestic flights, waste, paper and water, as well as promoting sustainable procurement. It also commits departments to reporting publicly on their actions on climate change adaptation, biodiversity, sustainable food and catering, and sustainable construction, as well as any other significant aspects of their work.

Greening Government Commitments

We have overseen the development of the new GGC target framework for 2021-25 which was published in October 2021. The new framework ensures the public estate continues to reduce its environmental footprint, align with commitments in our 25 YEP and be consistent with a trajectory to achieving net zero greenhouse gas emissions by 2050.

COVID-19 has had a huge impact on our sustainability performance in 2020–21. We have shut and reopened our office estate in line with BEIS guidance leading to reduced paper, energy and carbon use. However, these savings have been balanced by the increased operational demands of our laboratories due to increased testing requirements. Our travel requirements have dropped dramatically with government lock downs. Our waste and water use are primarily driven by operational requirements to support living plant collections, national forests and science operations so have been unaffected by the pandemic.

Compared to 2009–10 baseline figures, in 2020–21 Defra group reduced its greenhouse gas emissions by 59 per cent; domestic flights by 98 per cent; paper use by 97 per cent; reduced waste sent to landfill to 16 per cent of total waste; and decreased water consumption by 10 per cent. We are expecting these dramatic improvements to lessen as staff return to the office.

We are continuing to promote sustainable procurement through standing instructions within its policies and processes to consider all elements of good procurement practice including consideration of the Public Services (Social Value) Act; the Public Sector Equality Duty; the Small to Medium Enterprises agenda and modern slavery amongst others.

Where Defra leads on procurements, a sustainability appraisal is undertaken at the strategy stage and, where possible, Government Buying Standards and the balanced scorecard are applied.

For further commentary on our sustainable performance see Annex 3.

Natural capital

We engage with other government departments (OGDs), Non-Governmental Organisations (NGOs) and the private sector to embed natural capital thinking and approaches to support strategic and long-term decision-making, as set out in the 25 YEP. Building on the advice of the former Natural Capital Committee, we are playing a leading role in developing and making accessible the evidence and tools to support the consideration of environmental impacts in decision-making and in reporting. In August 2021, we published a substantial refresh of the Enabling a Natural Capital Approach[53] (ENCA) online resource, originally launched in 2020, and which is being increasingly used by departmental analysts. In March

[53] https://www.gov.uk/guidance/enabling-a-natural-capital-approach-enca

2022, key material from ENCA was incorporated into the latest version of HM Treasury's Green Book appraisal guidance[54]. ENCA also represents supplementary guidance to the Green Book.

The development of official natural capital accounts is key to mainstreaming understanding of the value of nature across all policy areas. Our Defra group experts played a leading role in the UN publication of a new ecosystem accounting framework officially published in September 2021 and continue to work closely with the Office for National Statistics to develop physical and monetary accounts for the UK covering a wide range of services and natural assets.

Progress during the year includes an updated UK-wide account of ecosystem services (with an asset value of £1.2 trillion[55]), a cross-cutting tourism account and a consultation to inform a new long-term roadmap. Our experts also contributed to the development of BSI's[56] Natural Capital Accounting Standard for organisations[57], launched in June 2021.

Natural England (NE) continue to promote the use of a natural capital approach through practical application and the publication of guidance. This year they published a natural capital account for the Tees Valley, estimating benefits that could be valued of over £100 million per year as well as identifying significant unquantified benefits. NE also led the development of a natural capital account to assess the impacts of sandeel fisheries in the North Sea and tested a series of scenarios with changes in fishing effort to consider the potential changes in ecosystem benefits. The results from this account have since influenced policy and led to the total allowable catch for sandeels in the English part of the North Sea in 2022 being set at zero. NE's Natural Capital Evidence Handbook sets out how stakeholders can include natural capital evidence in strategic decision-making.

The EA continues to use the natural capital approach to deliver more benefits for people and the environment – creating climate resilient places, thriving wildlife, improving people's health and wellbeing, and supporting a sustainable economy. For example, the EA has developed a 'natural capital account' for its own estate as well as using a natural capital approach to calculate the benefits gained by the priority habitat creation and restoration work delivered by the EA in combination with its partners. The EA is also working with water utilities to support their adoption of the natural capital approach, using a suite of natural capital metrics to support options development that deliver priority outcomes for the natural environment, net zero, catchment resilience and access, amenity and engagement.

Risks affecting delivery of our outcomes

This section outlines how Defra group's principal risks link to our priority outcomes and strategic enablers (as shown in Chapter 1). It summarises the mitigating actions taken over the course of the financial year to control each risk and indicating future action planned.

Defra group has played a key role in managing some of the most severe threats facing the UK (which are recorded on the National Risk Register), including flooding, severe weather, air quality, chemical, biological, radiological and nuclear (CBRN) emergencies and animal

[54] https://www.gov.uk/goverment/publishing/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020
[55] https://www.ons.gov.uk/economy/environmentalaccounts/bulletins/uknaturalcapitalaccounts/2021
[56] BSI is an organisation which has a role as the UK National Standards Body, to publish guidance for preparing natural capital accounts.
[57] https://www.bsigroup.com/en-GB/about-bsi/media-centre/press-release/2021/june/first-standard-for-natural-capital-accounting/

and plant disease outbreaks. Defra group has also managed a range of corporate risks of the type that affect many large organisations, such as: cyber security, risk of failure of key suppliers; strategic and financial risks; and specific risks associated with the delivery of both Defra group's core business and its change programmes.

We identified and assessed new and emerging risks relating to the potential impact on the businesses and sectors that our policies and activities affect, and on our priority outcomes. Plans were then put in place to control them. These included risks relating to supply chain disruption, international cooperation, environmental programmes and business failure in Defra sectors.

Risk: Defra exceeds its legal NO2 air quality limits, breaching the 2020-2030 emissions targets for ammonia (NH3) and fine particulate matter (PM2.5).

Tensions between Defra and local government policies as well as insufficient resources for local government means that we could exceed air targets which could result in legal challenge and failure to deliver significant health and environmental benefits (links to **PO1**).

Mitigating activities:

- Targeted government funding and Defra support to local authorities to implement NO2 measures, including two Clean Air Zones (CAZs) delivered in Birmingham and Portsmouth. We provided an online vehicle checker to support delivery of CAZs. We also delivered digital, service and legal infrastructure to enable delivery of future planned CAZs.

- Contributing to the air quality aspects of the Environment Act which is critical to delivering the Clean Air Strategy.

Risk: Defra group is unable to regulate environmental outcomes.

There is growing stretch on Defra group's capacity and capability because of funding and resourcing pressures. This puts our regulators – particularly the EA and NE – at risk of not being able to regulate effectively, resulting in risks to reputation and environmental outcomes including those in the 25 YEP (links to **PO1**).

Mitigating activities:

- We developed business cases for Spending Review 21(SR21). Following the settlement, we have worked on effective business planning to allocate resources.

- EA: The majority of EA's environmental work is funded by charges paid by those they regulate. EA regularly reviews these charges to ensure they reflect the cost of the work they are required to do and they review the allocations process to ensure income streams link to the activity for which it is raised.

- NE: NE's governance arrangements include the development of new data to understand issues and mitigations, such as demand levels, funding challenges and income shortfalls against projections. NE is nearing completion of its business planning for 2021-22.

Risk: Defra group's ability to respond is compromised due to serious incidents occurring concurrently

Incidents occurring simultaneously could exceed Defra group's incident management capability and capacity, leading to a failure to provide an effective emergency response. This could result in severe environmental, human, societal and economic impacts, negative impact, and/or severe reputational damage (links to **PO3**).

Mitigating activities:

- Implemented Emergency Reserves which are able to provide us with some resilience. Though challenges still exist in relation to 'Tier 2' emergency reserves which remain low.

- De-prioritisation of COVID-19 related work.

Risk: Defra is unable to manage the farming budget within RDEL ringfences (**escalated Q3)**

The farming budget cannot be managed within RDEL ringfences due to pressures caused by an imbalance between CDEL and RDEL. The impact of this could be that either the farm budget will be forced into that position of delivering less for Defra's outcomes, or there will be financial pressure on the rest of the department (links to **PO4**).

Mitigating activities:

- Drawing up potential options to bring down RDEL and increase CDEL within the budget.

Risk: Supply chain fragility could impact Defra's sectors (**escalated Q2)**

Labour shortages, global supply chain fragility, high energy prices, COVID-19 and other factors are disrupting multiple supply chains across all Defra sectors. This could undermine Defra objectives, cause lasting damage to its sector, generate disruptive challenges for the UK population and impose reputational damage on the Government (links to **PO4**).

Mitigating activities:

- Agreement reached on HGV driver, poultry worker and butcher driver scheme as well as a commercial agreement reached to allow resumption of CO2 supplies.

- Creation of Defra's supply chains unit.

- Agreement on other government department policy changes such as HGV levy and expediting of dangerous goods (ADR) vehicle driving licenses and delivery of various visa schemes.

Risk: Cooperation with the EU

A lack of movement in EU negotiations causes deteriorating relationship between the EU and UK which could prevent broader partnership activities (links to **PO4**).

Mitigating activities:

- Maintained continued dialogue with the EU to avoid “scallop wars”, establish fishing licences for the UK 6-12 nautical mile zone and Channel Island waters and address blockages.
- Developed the EU Strategy identifying possible retaliatory mechanics which the EU could deploy and develop a reasonable worst-case scenario to inform contingency planning.
- Established a weekly Director-level Winter Governance Board to provide strategic oversight of plans to mitigate a change in the UK-EU relationship over the coming months.

Risk: Defra group suffers from a major security incident and/or increased cyber-attacks.

Increasingly sophisticated cyber-attacks and other security incidents are an ongoing and evolving challenge – especially due to the high volume of legacy technology across our estate (links to SE2).

Mitigating activities:

- Replaced significant amounts of ageing technology infrastructure (with an ongoing programme to continue this work).
- Improved our security governance arrangements – including across Defra group and with our suppliers.
- Acquired investment to address technical debt and deliver our group-level Security Improvement Plan via SR21.
- Developed a set of outcome-based metrics to assess the status of this risk over the SR period.

Risk: Defra group’s technology is not able to support its business resilience, operations or transformation.

Many of our applications use out of date technology, increasing the risk of technology failing and / or successful cyber-attacks; making it harder to comply with latest accessibility and other digital standards; and making transformation activity more expensive and complex. (links to **SE2**).

Mitigating activities:

- Continued to modernise legacy technology in Defra group – particularly in our infrastructure estate.
- Secured investment to continue addressing legacy technology in Defra group through multi-year programmes over SR21.
- Implemented a new governance model for all technology spend in Defra group to come through DDTS process to ensure compliance, quality and visibility.

- Conducted discovery work into accessibility and data compliance across Defra group web estate.

- Delivered a range of new digital services which are more resilient, secure and adaptable (e.g. Export Health Certificates Online and Check For Flooding).

Risk: Failure of Defra infrastructure results in harm to human, animal or plant populations and/or undermines national capability and global reputation.

The physical condition of two of our most internationally important facilities remains a concern. We have focused on actions to minimise deterioration while working longer term plans for improving both sites (links to **SE2 and 3**).

Mitigating activities:

- Royal Botanic Gardens Kew (RBG Kew): Obtained £10 million for digitisation project at RBG Kew alongside interim mitigations (within the scope of changes we can make to the graded buildings) have been implemented.

- Weybridge: Planned repairs and maintenance have been undertaken to priority buildings to address issues/risks; Incinerator Replacement project into phase 1 of delivery stage; emergency planning measures have been implemented following a Health and Safety Executive (HSE); the initial phase of SCAH Programme Early Works has been completed.

Risk: Financial management or control failures.

Controlling our finances is a key Defra group priority, and we have put measures in place to support budget holders in their responsibilities. The public finance context has meant that longer-term strategic financial planning is more challenging (links to **SE3**).

Mitigating activities:

- Established budget holder training to improve understanding of finance responsibilities and reporting standards.

- Carried out the Financial Leadership Plan, including development of an updated Internal Financial Control Framework; budget holder training in the Core department for 230 people; updated EA fixed assets and capitalisation processes.

Risk: Budget pressures undermine Defra's strategic science capability and affect its ability to support key policy areas and emergency response.

Defra group's work depends on strong scientific evidence. We prioritise our most critical and vulnerable areas of research, but our science capability is further compounded by the ability to recruit and retain scientists, the impact of COVID-19 and growing difficulties with UK/EU science cooperation (links to **SE1 and 3**).

Mitigating activities:

- The SR21 settlement will alleviate the funding pressure over the coming years, but there is continued risk associated with effective ramp-up of new research and innovation capability.
- Continued to work closely with other partners to pursue alternative routes of funding (UK Research and Innovation and Official Development Assistance).
- Developed new Defra Research Frameworks to be awarded and operational by next financial year.

Risk: Defra group may be exposed to fraud committed by its employees, its suppliers, its service users or wider fraudsters.

The level of fraud and error in our grant schemes and programmes could breach the NAO's materiality threshold as we try to deliver complex policy objectives whilst minimising cost of delivery. This could result in significant financial loss (links to **SE3**).

Mitigating activities:

- Implemented Fraud Risk Assessments - a programme to assess all new grant schemes for fraud risk prior to approval in line with Grants Functional Standard MR7.
- Our Future Farming and Countryside Programme (FFCP) has dedicated counter fraud resource and has embedded mandatory fraud risk assessment into the design life cycle of our CAP successor schemes.
- Agreed and tested methodology for assessing estimated fraud and error in the Basic Payment Scheme (BPS) - agreed with NAO and internally.
- Key risk areas of fraud risk identified.
- Implemented a quarterly review process for updating the Core Department fraud risk assessment to refine and mature the fraud risk management process.
- Undertook a review of all counter fraud resources in place across Defra group to help inform understanding of group capacity and capability in this arena.
- Letter issued from Permanent Secretary to all Senior Civil Servants / Senior Responsible Officers / Accounting Officers setting out their accountability for meeting mandatory requirements for the control of fraud and error in grant spend and the requirement to demonstrate an estimated level of irregularity in scheme expenditure of less than 1 per cent.
- Specific Fraud Risk Assessment training delivered to grant team and FFCP policy teams.

Risk: A risk that funding issues materialise and efficiencies are not realised over the SR21 period due to ineffective and inconsistent business planning.

Inconsistent business planning, financial and workforce processes and incompatible data systems across Defra group, poor in-year business management that doesn't effectively track targets and efficiencies, and stringent headcount targets that impact staff capacity, could lead to failure to deliver our outcomes, poor staff wellbeing and breach of financial control totals (links to **SE3**).

Mitigating activities:

- Delivery of the 2021-22 planning round, finalised SR21 negotiation, agreed 2022-23 allocations and indicative 2023-25 allocations with the Secretary of State, and completed actions to improve strategic resourcing, recruitment and workforce data quality.
- Created a joined-up business planning process across Strategy, Finance & HR.
- Improved our monitoring of Outcome Delivery Plan (ODP) delivery.
- Improved strategic resourcing, recruitment processes and workforce data, including integration with financial data.

Risk: Defra group is unable to deliver programmes we have committed to

Limitations in staff capacity and capability, senior leadership capacity, and central function capacity, limitations in the wider delivery system (and related limitations in data, insights and governance) mean Defra may be unable to deliver outcomes (links to **SE3**).

Mitigating activities:

- Piloting Outcomes dashboard to help ensure alignment and progress reporting between outcomes and delivery programmes.
- Reviewed Portfolio Board governance arrangements and established the Delivery Committee.
- Carried out an assessment of delivery capability and launched Standards Sub Working Group.
- Methods framework rolled out and existing contracts assessed to move across. Project Initiation work underway to help projects set up to succeed.
- Project Delivery event held to start discussions around shift of delivery culture.
- Stocktake of the portfolio post SR as part of business planning.

Risks de-escalated in 2021-22:

Risk: Defra group may not be able to meet budgetary controls (De-escalated quarter 1)

Controlling our finances is a key Defra group priority, and we have put measures in place to support budget holders in their responsibilities (links to **SE3**).

Risk: Business continuity within the Defra group is impacted by failures of key suppliers. (De-escalated quarter 1).

As a department we carry a high-risk profile across third party suppliers. In a difficult economic landscape for some businesses, we acted to safeguard Defra group's commercial exposure to the risk of market failure (Links to **SE3**).

Risk: The resilience and wellbeing of Defra group staff. (De-escalated quarter 1).

We have a clear ambition to support all our staff mentally and physically ensuring a healthy, resilient and motivated team amid a range of pressures over the year (links to **SE1**).

Risk: Defra and devolved administrations – UK Union activities and collaborative delivery (De-escalated in quarter 2).

Devolved administrations could challenge UK Government/Defra plans to strengthen the UK Union where activities and/or policies intersect with devolved functions.

Responding to Public Correspondence

Our Ministerial Contact Unit dealt with:

- 9,863 letters and emails from the public.
- 13,451 letters or emails from Members of Parliament and/or major stakeholders, answering 60 per cent within the target of 20 working days.
- 3,370 Parliamentary questions, 80 per cent of which were completed by the various deadlines.
- 27 e-petitions of which 70 per cent were completed before the 21-day deadline.
- 18,927 calls on our helplines, (Defra Helpline), answering 82 per cent within the target of 60 seconds.

Defra's executive agencies and non-departmental public bodies have enquiry centres that deal with public correspondence relating to their areas of work and expertise. Further information can be found within their individual Annual Report and Accounts.

Chapter 3 – Financial Analysis

This chapter provides an overview of our financial performance across 2021–22, including setting out our budget and confirming our spend against this, giving an overview of our Statement of Financial Position (SoFP) and Common Agricultural Policy (CAP) disallowance.

Financial Performance

Defra group spent a total of £5.62 billion in 2021-22 against a total Departmental Expenditure Limits (DEL) budget of £5.86 billion. Within this budget Defra spent £4.29 billion Resource DEL against £4.44 billion budget and £1.33 billion Capital DEL against £1.42 billion budget, overall this represented a 95.9 per cent spend against the total DEL budget (96.62 per cent RDEL, 93.66 per cent CDEL).

Within these allocations our budget is split into ringfenced and non-ringfenced allocations. Our RDEL ringfenced underspend was £63 million, and non-ringfenced underspend was £92 million, with CDEL ringfenced underspend being £20 million and non-ringfenced underspend of £66 million.

A detailed breakdown and analysis is provided further below, along with Defra group Spend against Budgets (£m) table.

Defra has adhered to government guidelines to ensure spend is within designated control totals. Unlike previous years, EU exit funding for Defra was not ringfenced to recognise the move away from work that delivered exit from the EU onto delivering repatriated functions previously delivered through the EU. This allowed Defra to utilise funds across the business to fund new work and priorities driven by the exit. Below is a summary of the types of activities on which those funds have been spent:

Spending Review (SR) baselined EU exit funding (£470 million RDEL and £102 million CDEL) was converted into business as usual to deal with the increased responsibilities transferred from the EU to Defra to cover new domestic policy. HM Treasury also recognised the ongoing need for increased domestic funding, adding a large proportion of this to Defra's SR21 baseline for ongoing delivery. HM Treasury provided additional funding through the Supplementary Budget Estimates for the continued delivery of Digital Assistance Scheme, Movement Assistance Scheme and Borders.

EU exit

Ringfenced Funding

Digital Assistance Scheme (DAS) (£5.71 million RDEL, £6.76 million CDEL) and **Movement Assistance Scheme** (MAS) (£9.74 million RDEL) - The group deliver outcomes of the Northern Ireland (NI) Programme to ensure that NI remains an integral part of the UK internal market, including the MAS which addresses the direct cost to traders as a result of the new export certification requirements, and the DAS which minimises the wider friction arising from these requirements and provides a full end-to-end e-certification solution.

Non-ringfenced funding

Borders - The Borders programme is developing a regime for imports and exports which protects the biosecurity of the United Kingdom, including the policies, processes, and controls necessary for the import and export of agri-food goods. The programme is bringing together physical and digital systems, transitioning services and policy outputs into capability outcomes, with the emphasis on people, engagement, and communications. This includes building the capacity and capability needed to receive, check, and certify goods at the border, including the port health authorities, Animal and Plant Health Agency (APHA), Forestry Commission (FC), Food Standards Agency (FSA) and associated laboratory capacity. It also includes working with our partners in EU member states to share knowledge and approaches to ensure a reciprocal capacity and capability in managing the flow of goods. The programme is engaged with Defra's Northern Ireland Programme where there are key areas for co-development. Finally, the programme encompasses a series of campaigns aimed at businesses and their supply chains, with associated validation, modelling, testing, and stress testing, to be assured that the border will work effectively.

UK Wide Chemicals (REACH) and Pesticides regimes that directly repatriate ownership of chemicals and pesticides regulation from the EU and enable us to make our own regulatory decisions as a sovereign nation (including working with Devolved Administrations (DAs)).

Marine and Fisheries Future Fisheries and Marine Control and Enforcement to progress the repatriation of funds and functions to the UK relating to the fishing sector. This includes: the development of new policies and the creation of new legislation; development of the UK's position on access, quota exchanges and associated negotiations; and assistance to the fishing sector in adapting to new trading arrangements.

Future Farming and Countryside Partnership designing new policy, schemes and regulation that are required because we have left the CAP and are replacing with three schemes that reward farmers for environmental benefits: the Sustainable Farming Incentive, Local Nature Recovery and Landscape Recovery. The department is working on scheme design, testing, and launch and CDEL is funding work on IT systems, both upgrade of existing and new build, to support the schemes and grants that Defra are launching to increase sustainability and productivity of the industry.

International & Borders ensures that the UK's borders, trade policy, trade agreements and relationship with the EU and the rest of the world, deliver Defra's environmental, food, farming, fisheries, and biosecurity objective. They are also driving a shift to a nature-positive world and reducing global poverty.

COVID-19

Much of the COVID-19 support provided by Defra was contained to 2020-21. In 2021-22, spend on COVID-19 totalled £10.4 million and significant interventions included:

- **Support for Zoos and Aquaria** (£5.1 million) – specific COVID-19 support was made available to zoos and other animal collections which, due to the related drop in income, were experiencing severe financial difficulties and needed support to ensure the welfare of zoo animals, including when zoos were closing, downsizing or rehoming their collections.

- **Additional Operating costs due to COVID-19** (£5.2 million) - Costs include the Department Operations Centre, including: the COVID-19 policy unit, and other directly identifiable staff costs; property costs, including the costs associated with internal staff mass testing; personal protective equipment costs; and other staff costs.

For 2021-22, departments must make an evidenced based estimate of the extent of the level of fraud and error in the COVID-19 support schemes that they administer; identify risks of fraud and error; and explain how these risks are being managed. These new requirements, listed below, have been set in responding to the Public Accounts Committee (PAC) recommendations from the Fraud and Error Report and the Treasury minute in response.

- **Zoos**. In Financial Year 2021-22, expenditure in the Zoo Animals Fund (ZAF) was £6.1 million compared with £2.2 million in the Zoos Support Fund (ZSF) paid out in the previous financial year. ZSF was subject to a statistically valid sampling audit by Government Internal Audit Agency (GIAA). No fraud was found but the most likely estimate of the total value in error in the whole population is £0.346 million, which is 15.8 per cent of the total value of grants paid. Controls were strengthened in the subsequent ZAF by ensuring that independent auditors signed off grant usage forms. This led to an error rate on the audited forms for this scheme of 1.68 per cent which produces an estimated error value of £0.102 million in 2021-22.

- **Green Recovery Fund**. In Financial Year 2021-22, we paid out grants totalling £26.8 million for rounds 1 and 2 of the Green Recovery Challenge Fund (GRCF) administered by the National Heritage Lottery Fund to kick-start the nation’s green recovery from the pandemic. This compares to £8.8 million paid out for round 1 only in 2020-21. The scheme was delivered using existing robust processes including standard pre-payment checks that enabled us to correct any errors prior to payment. Additionally, of the 266 payment requests submitted in 2021-22, we randomly selected 39 for audit across 29 projects. Of these, 35 passed the audit checks and we paid them in full. Of the remaining 4, only 1 was found to have a quantifiable error, to the value of £0.01 million. This compares to 68 payment requests received in 2020-21 and 13 selected for audit, all of which passed.

- **Food Parcels Shielding Scheme**. In 2020-21, our largest expenditure related to the Food Parcels Shielding scheme, which was subject to a statistically valid sampling exercise by the GIAA to identify the rate of fraud and error. £0.0064 million of error was found in the sample which gave a most likely error rate of 1.2 per cent. When applied to the overall spend of £207 million, this gives an estimated loss of £2.5 million. There was no evidence of fraud and the errors were attributed to constantly changing datasets as the shielding population changed. There was a separate error identified during the operation of the scheme which led to a £4.1 million loss due to incomplete functionality within the Gov.uk deregistration portal. The NAO reviewed this and considered that we had acted promptly when alerted to the issue and the amount was written off.

All our COVID-19 grant schemes had fraud risk assessments completed prior to their launch with support provided to policy teams by the counter fraud team. Upfront controls were implemented to check eligibility and assess the reasonableness of costs claimed and due diligence checks were made during delivery using the cross Government Spotlight system. Defra also took part in Post Event Assurance activity on its COVID-19 response expenditure in 2020-21 to understand the rates of fraud and error, which was reviewed by the Cabinet Office Counter Fraud Function. We also participated in two rounds of the Cabinet Office led Post Award Assurance cross government data matching exercise aiming to identify any examples where organisations had received duplicate funding from multiple government sources. Defra submitted all of its COVID-19 grants data and reviewed every match, concluding that there were no examples of genuine double funding. This exercise constituted the main Post Event Assurance for the three food charity schemes that we operated as duplicate funding was one of the highest rated residual risks on our fraud risk assessment.

Defra Achievements

Beyond EU Transition there have also been a number of other achievements funded and delivered throughout the financial year:

- We have continued to transform the department's corporate services functions to create new group-wide functions and deliver services in new and innovative ways. We have created a platform for improving prioritisation, decision making, professionalism and efficiency across Group Corporate Services. We have progressed these efficiencies whilst increasing the support to both the Core department and our arm's length bodies (ALBs) as they deliver the work repatriated as a result of the EU exit and our additional governmental priorities. We have delivered an annual reduction in running costs of £110 million by the end of 2020-21 and cumulative total savings in excess of £400 million since 2015.

- Support the rural economy with £1.65 billion in Basic Payment Scheme (BPS) expenditure, plus £300 million of EU funding for rural development schemes, along with a further £125 million from Exchequer funding for rural development.

- We have again significantly reduced our disallowance exposure, through successful mitigation and discussions with the European Commission (the Commission) auditors on a number of outstanding issues. This is part of our on-going disallowance strategy and is the latest in a line of successful negotiations in reducing our disallowance costs.

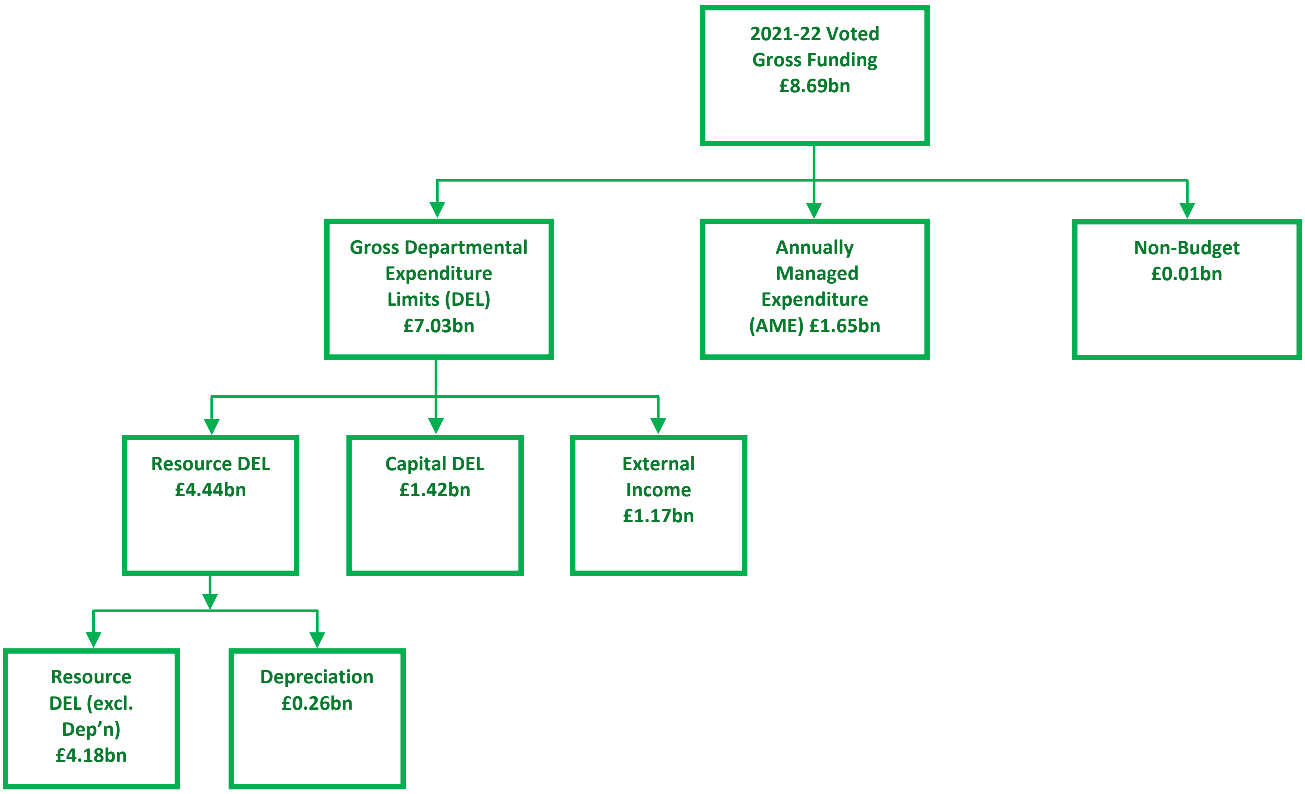
The Defra group budget

2021-22 Voted Net Funding £7.52bn Consisting of:			
Non-ring-fenced DEL £3.33bn	Ring-fenced DEL £2.53bn	AME £1.65bn	Non-Budget £0.01bn
Net of			
External income £1.17bn			
2021–22 Voted Gross Funding £8.69bn			

The Statement of Parliamentary Supply shows that our total net parliamentary approved (voted) funding for the 2021–22 financial year was £7.52 billion. This consisted of £5.86 billion in DEL, £1.65 billion in Annually Managed Expenditure (AME) and £0.01 billion outside of the department's budgetary boundary (Non-Budget).

DEL is the budget total, issued by HM Treasury on behalf of Parliament, that we use to fund the delivery of our strategic objectives.

Our total gross funding in 2021–22 was £8.69 billion, consisting of £7.03 billion DEL including £1.17 billion of external income, £1.65 billion AME and £0.01 billion non-budget.



Resource DEL £4.44 billion

The resource DEL budget (£4.44 billion in 2021-22, of which £2.26 billion ring-fenced) includes the administrative costs of running the Defra group; and programme spend on delivering the COVID-19 response and our outcomes in environmental quality; food, farming and biosecurity; floods and water; marine and fisheries; and natural environment and rural. It also includes an allowance for the consumption of our assets over time (depreciation £0.25 billion in 2020-21). Since 2020-21, the resource DEL budget excluding depreciation has decreased by £329 million, mainly due to an additional one-off funding for COVID-19 in 2020-21 which included funding for shielding payments.

Capital DEL £1.42 billion

The capital DEL budget (£1.42 billion in 2021-22, of which £0.27 billion ring-fenced) covers investment in the assets we need to deliver our objectives. This includes building IT systems following EU exit, expenditure on flood defence assets and the Defra group Estate, as well as the payment of capital grants. Since 2020-21, the capital DEL budget has increased by £395 million, this is due a range of new funding including: Floods and coastal risk management, EU replacement funds for Farming, EU exit, Nature for Climate Fund and IT investment.

External Income £1.17 billion

Our gross spending in the economy exceeds our DEL budget in practice, because it includes payments made, mainly to farmers, in respect of CAP and rural development schemes, for which income is received from the Commission. This income was budgeted at £0.39 billion in 2021–22 as more payments became Exchequer Funded. Other sources of income include grant income, fees, levies and licences payable to some of Defra's group bodies. This was budgeted at £0.18 billion for the Core department and the Agencies; and £0.6 billion for other group bodies, netted off against the DEL expenditure. Our total external DEL income budget was therefore £1.17 billion in 2021-22.

AME £1.65 billion

The AME budget (£1.65 billion in 2021-22) is mainly for movements in provisions. Compared to 2020-21, the AME budget has increased by £287 million, mainly due to an increase to the Metal Mines and Foot and Mouth Disease Burial Site provisions due to changes in discount rates.

Other provisions include Copernicus (a possible commitment to participate in and contribute towards the EU's 2021-2027 Copernicus Programme of Earth Observation Satellites), CAP Disallowance and the Environment Agency closed pension fund. The expenditure by Defra group levy funded bodies – the Agriculture and Horticulture Development Board and Sea Fish Industry Authority, as well as the Defra group body Flood Re, are also included within AME.

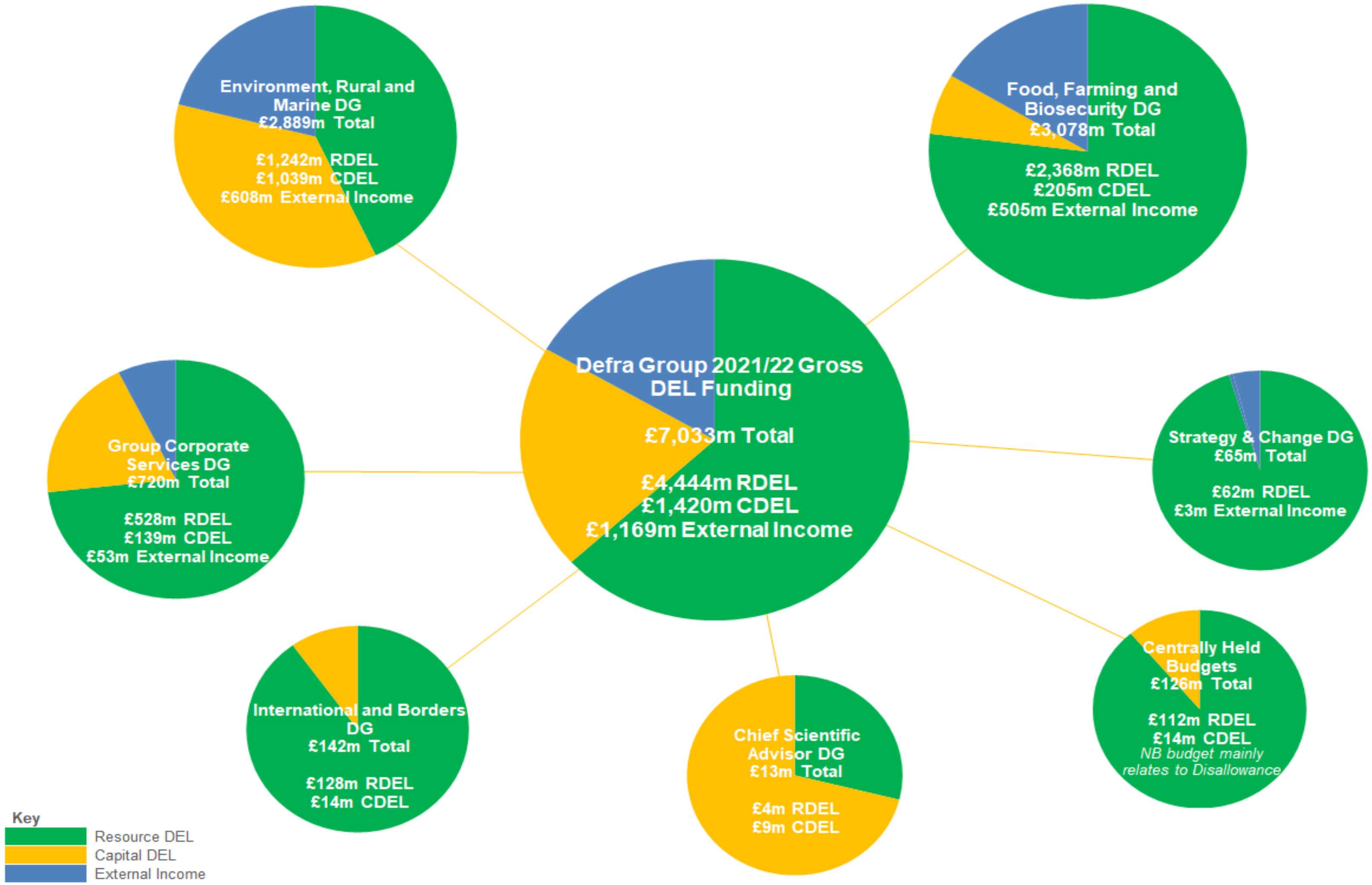
Non-Budget £0.01 billion

The final area of Defra group funding, called non-budget (£0.01 billion in 2021–22), is mainly held for any exchange rate differences that may arise on payments made by the Rural Payments Agency (RPA), in their role as the UK Funding Body, to the devolved administrations (DAs), due to the timing differences between the payment date and the date of actual reimbursement by the Commission. A further £0.2 billion of income received from the Commission for the devolved administrations was treated as non-budget rather than DEL as this does not represent spending by Defra. Non-budget funding has reduced due to UK exiting the EU and a reduction of income received from the Commission.

Defra Group Gross Funding by Director General (DG) Group

The following chart and table show how our gross DEL funding of £7.03 billion (£4.44 billion resource DEL, £1.42 billion capital DEL and £1.17 billion external income) was allocated to each DG Group. These are the groupings of Defra Core directorates and ALBs which contribute to the delivery of outcomes and are used in planning and delivering our activities.

Defra Group Total By Director General Group



2021-22 Defra group gross DEL funding £m

Director General Group	RDEL	CDEL	External Income	Total
Environment, Rural and Marine	1,242	1,039	608	2,889
Food, Farming and Biosecurity	2,368	205	505	3,078
Group Corporate Services	528	139	53	720
International and Borders Group	128	14	-	142
Chief Scientific Adviser	4	9	-	13
Strategy & Change	62	-	3	65
Centrally Held Budgets	112	14	-	126
Defra Group Total	**4,444**	**1,420**	**1,169**	**7,033**

Spend Against Budget

This information has been subject to audit.

Defra Group Spend Against Budgets (£m)

Type	Budget	Spend	Variance	% of Budget
Programme DEL – Total	**3,481**	3,457	-24	-0.7%
Of which ring-fenced – Depreciation	146	187	41	28.1%
Of which ring-fenced – Other[1]	1,963	1,914	-49	-2.5%
Of which non-ring-fenced	1,372	1,356	-16	-1.2%
Admin DEL – Total	**963**	832	-131	-13.6%
Of which ring-fenced – Depreciation	109	64	-45	-41.3%
Of which ring-fenced – Other[1]	42	32	-10	-23.8%
Of which non-ring-fenced	812	736	-76	-9.4%
Resource DEL	**4,444**	4,289	-155	-3.5%
Of which ring-fenced	2,260	2,197	-63	-2.8%
Of which non-ring-fenced	2,184	2,092	-92	-4.2%
Capital DEL – Total	**1,420**	1,334	-86	-6.1%
Of which ring-fenced – ODA	3	3	-	-
Of which ring-fenced – Other[1]	264	244	-20	-7.6%
Of which non-ring-fenced	1153	1,087	-66	-5.7%
Total DEL	**5,864**	5,623	-241	-4.1%
Of which ring-fenced	2,527	2,444	-83	-3.3%
Of which non-ring-fenced	3,337	3,179	-158	-4.7%
Total AME	**1,645**	435	-1,210	-73.6%
Of which Resource AME	1,486	433	-1,053	-70.9%
Of which Capital AME	159	2	-157	-98.7%
Non-Budget	**10**	2	-8	-80.0%

[1] Other ring-fenced includes Farm Support Direct Payments, Official Development Assistance (ODA), Science R&D, Weybridge, COVID-19 and Disallowance.

DEL – £5,623 million

The final DEL outturn against the £5,864 million voted funding (£4,444 million resource DEL, £1,420 million capital DEL) which excludes £1,169 million external income was £5,623 million – an underspend of £241 million. Excluding ring-fenced items, this represents a £158 million underspend, which is 4.7 per cent of our DEL budget excluding ring-fenced items of £2,527 million.

The administration outturn against the £963 million budget was £832 million, an underspend of £131 million. Excluding ring-fenced items, this moves to an underspend of £76 million.

AME – £435 million

The total AME outturn was £435 million against the £1,645 million budget. The final Resource AME outturn against the £1,486 million budget was £433 million – an underspend of £1,053 million. This reflects the less predictable and controllable nature of AME spending compared with DEL. The underspend included £821 million relating to an expected provision for the UK's contribution to the EU Copernicus earth observation programme. Budget cover of £821 million was sought in the Supplementary Estimate in the expectation that an obligation may exist at the year-end for the cost of participation over the lifetime of the Copernicus membership agreement. Delays impacting our expected start date for participation meant this obligation did not exist at 31 March 2022. Participation in Copernicus remains the UK's preferred option and the UK stands ready to formalise our association to EU programmes, including Copernicus, at the earliest opportunity.

In addition to this, the AME outturn includes a credit of £107 million relating to Flood Re, which represents an underspend of £207 million against their budget of £100 million and is due to the need to hold budget cover for Flood Re in the event that a significant flood event occurs; and a credit of £63 million, mainly for a write back of the CAP Disallowance provision, which represents an underspend of £104 million.

Non-Budget – £2 million

The final non-budget outturn against the £10 million budget was £2 million – an underspend of £8 million, reflecting the unpredictability of exchange rate movements.

Net Cash Requirement (NCR)

In order to fund the spending set out above, we needed to work with HM Treasury to ensure that we had sufficient cash – this is called the Net Cash Requirement (NCR). Our actual cash requirement in 2021–22 was £679 million lower than our NCR of £5,957 million. This is mainly because when we agree the NCR, we make a prudent estimate in order to mitigate the risk of any Defra entities going overdrawn.

Of this, £330 million is held by the RPA. £31 million reflects euro balances held as an advance for EU funded Rural Development Programme for England and Devolved Administration. England and Scotland have consumed 95 per cent of their EU funded Rural Development Programme budget and therefore are expected to continue using their share of the remaining £31 million advance to reimburse their EU funded rural development claims until the end of the programme in 2024. Of the remaining £299 million, £134 million was due to a receipt from the Commission. A prudent approach was taken to ensure that RPA had enough funds should the Commission receipt have been received after 31 March 2022.

£292 million was not drawn down by the department and the remaining £57 million was held by Defra and its agencies.

Of the £387 million held in the bank accounts of Defra and agencies, the majority (99.9 per cent) is still held within the Government Banking Service, therefore ensuring good value for the Exchequer as a whole ensuring the Debt Management Office has access to the funds.

Consolidated Statement of Financial Position

Over the 2021–22 financial year, Defra group's total assets less liabilities increased from £2,115 million to £2,845 million. This £730 million increase was mostly driven by:

- An increase to the valuation of infrastructure assets in the Environment Agency, including the Thames Barrier, along with Defra's investment in the group property portfolio and digital, data and technology services infrastructure were largely responsible for the £681 million increase in the value of the group's non-current assets.

- RPA's decrease in accrued income from the EU is largely responsible for the decrease in current assets of £175 million.

- A decrease to the CAP Disallowance and IR35 provisions along with a decrease in our accrued expenses and deferred income is largely responsible for the £152 million decrease in our current liabilities.

- A decrease in our group pension liabilities driven mostly by movements in the EA pension schemes due to changes in financial assumptions on inflation and pension costs, offset against an increase in provision liability, is largely responsible for the £72 million decrease in non-current liabilities.

Core Tables

The Core Tables section of the accounts provides an analysis of departmental expenditure and plans covering the period 2017–18 to 2024–25. The expenditure is shown against the categories used for HM Treasury's reporting system. These categories are different to the Outcome Systems which we report on internally. Analysis of the Core Tables can be found at Annex 1.

Common Agricultural Policy (CAP) Disallowance

The CAP is the agricultural policy of the European Union (EU) and is a system of agricultural subsidies and rural development programmes. Pillar 1 of the CAP is funded through the European Agricultural Guarantee Fund (EAGF) and primarily involves direct payments to farmers. The rural development programmes – Pillar 2 of the CAP – is funded through the European Agricultural Fund for Rural Development (EAFRD).

As part of their oversight of EU Budget spending, the Commission can impose financial corrections on member states for failing to apply EU Regulations correctly in managing and administering EU schemes. These financial penalties are known as disallowance. In practical terms this means the EU reduces the amount of money that is reimbursed to member states for monies they have paid out on the CAP schemes. Historically, no member state has achieved zero disallowance under the CAP regime.

Examples of issues that can lead to disallowance include digital maps not being sufficiently up to date, the inclusion of ineligible features in claims and the timing of inspections as well as eligibility checks and administrative controls that are not deemed to be sufficiently robust. Defra only accounts for disallowance relating to England, the devolved administrations account for disallowance relating to their regions. Following the result of the referendum on 23 June 2016, the UK formally left the EU on the 31 January 2020 but the current assumption for these accounts is that Defra is still likely to incur disallowance on outstanding audits. Rules around calculating disallowance were changed as part of the CAP reform which came into effect in 2015. As a result we have split the levels of disallowance below between the previous scheme and the new scheme.

Disallowance is accounted for in Defra group's accounts in three stages:

Stage 1: Cost is initially recorded in the Statement of Comprehensive Net Expenditure (SoCNE) for disallowance (via a provision) when there is sufficient evidence, following a Commission audit, that a penalty is likely, but not certain, to be incurred in a future accounting period. These amounts are held on the Statement of Financial Position (SoFP) as current liabilities (provisions). See Note 14.3.

Stage 2: Disallowance penalties are confirmed in the accounts (via an accrual) when the proposed disallowance has been formally communicated to the department by the Commission and will not be contested. These amounts, typically unwinding a previous provision, are held on the SoFP as current liabilities (accruals).

Stage 3: Disallowance penalties are finally transacted when the Commission decides to deduct the owed amount from a claim for reimbursement under European schemes made by the UK, typically some time after the penalty has been confirmed (and therefore accrued). Stage 3 payments are accounted for purely through the SoFP, exchanging a current liability for a current asset and so are not shown on the SoCNE.

Both stage 1 and stage 2 transactions result in charges to resource (either AME or DEL), and are therefore charged to the SoCNE, as shown in the following table, Charges to the SoCNE for CAP Disallowance. The creation of an accrual at stage 2 may be skipped, as occasionally transactions can move from provision to payment within the same financial year. These transactions would still impact on the DEL budget and pass through the SoCNE. The balances from the SoFP for CAP Disallowance table shows the accumulation over time of stage 1, 2 and 3 transactions in Defra's accounts.

Charges to the SoCNE for CAP Disallowance

£million	2021-22 DEL	2021-22 AME	Total
Stage 1: Allowance created in year for anticipated liabilities based on receipt of initial audit findings	-	-	-
Stage 2: Provisions unwound in year for liabilities expected to materialise after accepting corrections (accruals)	8	(8)	-
Stage 2: New accruals where no previous provision existed[1]	-	-	-
Total charge	**8**	**(8)**	**-**
Write back in previous accrual/provision (credit)[1]	-	(55)	(55)
Net charge	**8**	**(63)**	**(55)**

1. Note 3, EU disallowance row shows the net of the new accruals and write back in previous accrual.

During 2021-22, Defra group made total transactions to the SoCNE of £55 million credit (2020-21, £500 million credit). The net credit relates to audits as described below.

- Release of provisions created relating to Cross Compliance 2017-2019 of £55 million.

Provisions utilised in year and crystallised into an accrual are detailed below:

<u>Current CAP Scheme Years - 2015–2020</u>

- Cross Compliance 2017-2019 of £7 million.
- 2019 Fruit and Vegetable Scheme follow up of £1 million.

Balances from the SoFP for CAP Disallowance

Scheme years 2005–2014

£million	Total as at 31 March 2022	2021-22	2020-21	2019-20	Up to 2018-19
Stage 1: Provisions outstanding at year end on SoFP[1]	**-**	-	-	-	-
Stage 2: Accruals outstanding at year end on SoFP[2]	**-**	-	-	-	-
Stage 3: Cash payments made to the Commission	**634**	-	-	-	634
Cumulative total for disallowance as at 31 March 2022	**634**				

[1.] Note 14, CAP Disallowance closing balance at 31 March 2022.
[2.] Note 12, as part of the Core department and agencies accruals and deferred income £414 million (2020-21, £453 million).

Defra group's accounts include cumulative transactions for disallowance penalties totalling £634 million relating to CAP Scheme years 2005-2014.

Of this total, £634 million has been paid to the Commission over time (stage 3). This relates to:
- CAP Single Payment Scheme for 2005-2014 of £510 million.
- Fruit and Vegetable Trader schemes for 2005-2014 of £64 million.
- Cross Compliance for 2005-2014 of £36 million.
- Rural Development Programme 2005 to 2014 of £20 million.
- Other smaller schemes of £4 million.

Scheme years 2015–2020

£million	Total as at 31 March 2022	2021-22	2020-21	2019-20	Up to 2018-19
Stage 1: Provisions outstanding at year end on SoFP[1]	**59**	59	122	645	23
Stage 2: Accruals outstanding at year end on SoFP[2]	**8**	8	26	9	1
Stage 3: Cash payments made to the Commission	**107**	26	4	14	63
Cumulative total for disallowance as at 31 March 2022	**174**				

1. Note 14, CAP Disallowance closing balance at 31 March 2022
2. Note 12, as part of the Core department and agencies accruals and deferred income £414 million (2020-21, £453 million).

Defra group's accounts include cumulative transactions for disallowance penalties totalling £174 million relating to CAP Scheme years 2015-2020.

We have paid over £107 million to the Commission relating to late payment penalties arising from BPS 2015 payments for £48 million, along with £44 million relating to BPS Area Aids Scheme Years 2015 and 2016 and £9 million relating to Cross Compliance for 2015 and 2016, £5 million relating to fruit and vegetable producer schemes with the balance made up from other smaller Rural Development schemes.

We also hold accruals of £8 million relating to:

- Cross Compliance for 2017-2019 (£7 million).
- Fruit and Vegetable Trader schemes (£1million).

Finally we hold provisions for potential future liabilities totalling £59 million relating to:

- Rural Development Non IACS (£39 million).
- 2020 Clearance of Accounts (£20 million).

While these provisions are large it should be noted that these unusually cover multiple years worth of expenditure and are expected to reduce significantly when the final correction is agreed.

Limited notice is given of future Commission conformity audits and it is not therefore known which scheme areas will be audited during the coming year. Disallowance will be accounted for once audits have taken place and reliable estimates are available. Until an estimate can be made, a contingent liability is disclosed within Note 16 where an audit has taken place. Where there has not been an audit then we declare a remote contingent liability within the accountability section.

The only remaining large scheme with outstanding years still to be potentially audited is the Rural Development Programme 2015 onwards (based on the assumption there will be no inclusion in CAP for scheme year 2020 onwards).

It should be noted that, under the terms of the withdrawal agreement, while BPS 2019 was the last EU funded year of the scheme, we have agreed to continue to accept the controls and audits which cover the entire period of the programme and actions in accordance with the applicable rules.

Tamara Finkelstein 21 October 2022

Accounting Officer for the Department for Environment, Food and Rural Affairs

Accountability Report

The requirements of the accountability report are based on the matters required to be dealt with in a Directors’ Report, as set out in Chapter 5 of Part 15 of the Companies Act 2006 and Schedule 7 of SI 2008 No 410, and in a Remuneration Report, as set out in Chapter 6 of the Companies Act 2006 and SI 2013 No. 1981.

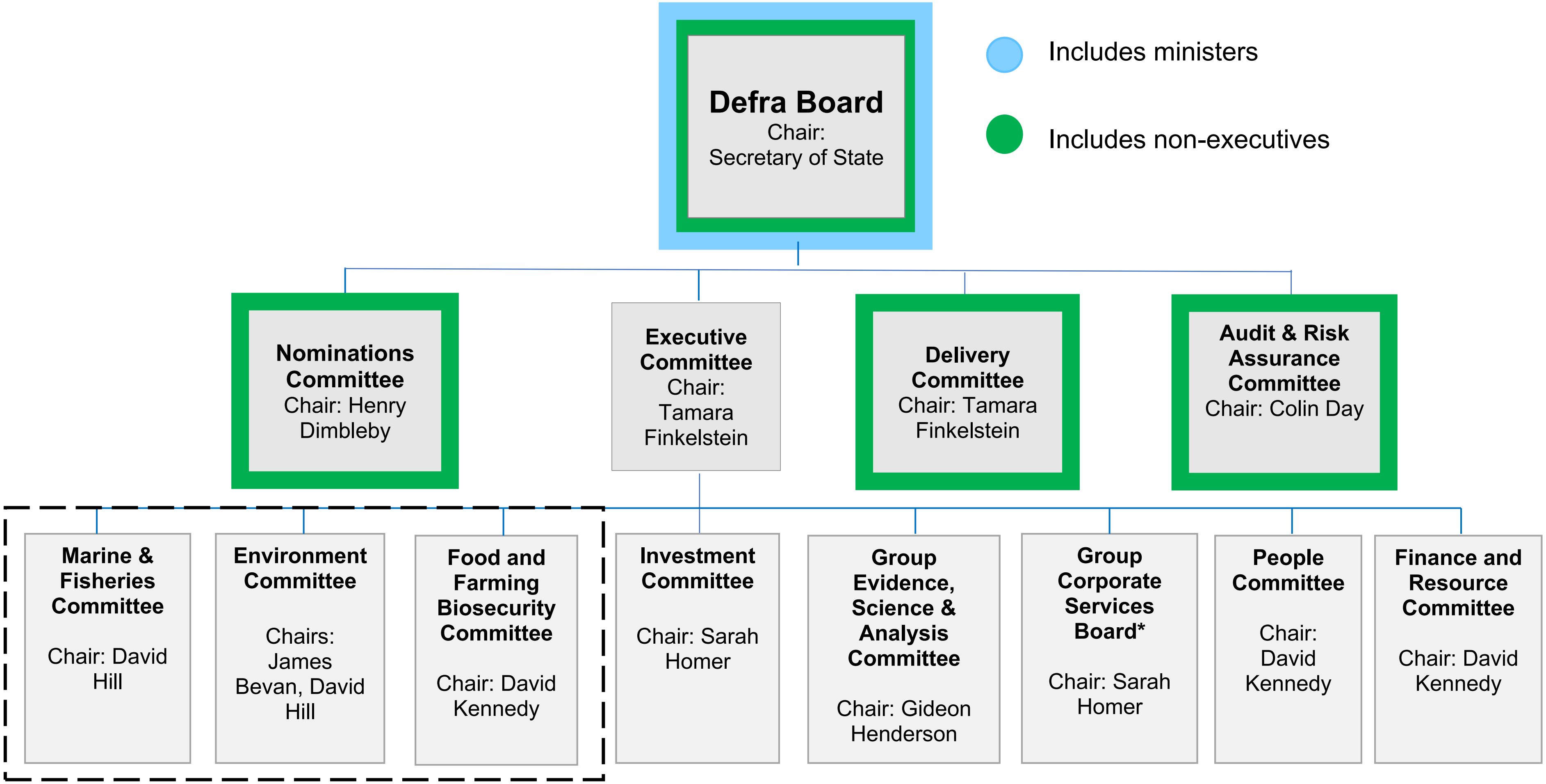
Chapter 4 – Corporate Governance Report

Governance Statement

Introduction

The governance statement outlines how Defra group is governed. It sets out our decision-making structures, the effectiveness of our risk management and internal controls as well as our most significant challenges. This is informed by the work of Defra group officials, the Government Internal Audit Agency (GIAA), input from the National Audit Office (NAO), information from Defra group arm's length bodies (ALBs) and Audit and Risk Assurance Committee views.

We work as Defra group to deliver outcomes for customers and for society. Further information on how Defra group works together to deliver for customers can be found in the latest Accounting Officer System Statement on gov.uk.



*The Group Corporate Services Board includes a quarterly Security Management Committee to own and oversee security risks and capability for Defra group.

Three system committees support the Executive Committee by ensuring alignment of plans and activities and identifying synergies and areas for improvement. The three system leaders are members of ExCo, providing a direct connection to the delivery bodies within the Defra group.

Figure 14: Defra group governance structure

Departmental board membership and attendance

Board membership and attendance – Table 1.

Meetings attended out of those eligible to attend 1 April 2021 to 31 March 2022

Ministerial Team

		No. of Meetings Held	No. of Meetings Attended
The Rt Hon George Eustice MP	Secretary of State for Environment, Food and Rural Affairs	6	6
Victoria Prentis MP	Parliamentary Under Secretary of State (Minister for Farming, Fisheries and Food)	6	5
Rebecca Pow MP	Parliamentary Under Secretary of State (Minister for Domestic Environment)	6	3
Jo Churchill MP	Parliamentary Under Secretary of State (Minister for Agri-Innovation and Climate Adaptation) from 16 September 2021	2	1
The Rt Hon Lord Goldsmith of Richmond Park	Minister of State (Minister for the Pacific and the International Environment)	6	3
Lord Gardiner of Kimble	Parliamentary Under Secretary of State for Rural Affairs and Biosecurity (until 10 May 2021).	0	0
The Rt Hon Lord Benyon	Parliamentary Under Secretary of State (Minister for Rural Affairs, access to nature and Biosecurity) from 13 May 2021.	6	4

Non-Executive Directors

		No. of Meetings Held	No. of Meetings Attended
Henry Dimbleby	Lead Non-Executive Director and Chair of the Nominations Committee	6	4
Colin Day	Chair of the Audit and Risk Assurance Committee and Non-Executive Director	6	6
Lizzie Noel	Non-Executive Director	6	5
Ben Goldsmith	Non-Executive Director	6	6
Elizabeth Buchanan	Non-Executive Director	6	6
Emma Howard Boyd	Chair of the Environment Agency (Ex Officio)	6	6
Tony Juniper	Chair of Natural England (Ex Officio)	6	5

Executive Members

		No. of Meetings Held	No. of Meetings Attended
Tamara Finkelstein	Permanent Secretary	6	6
Lucy Smith	Director General for Strategy and Change	6	5
Sarah Homer	Director General, Chief Operating Officer	6	5
James Quinault	Interim Director General for Europe, International and Constitution (until 24 May 2021)	0	0
David Kennedy	Director General for Food, Farming and Biosecurity (board member until 17 November 2021)	4	4
Heather Smith	Chief Financial Officer	6	6
David Hill	Director General Environment, Rural and Marine (board member until 17 November 2021)	4	4
Katrina Williams	Director General for International and Borders (board member from 7 June 2021 until 17 November 2021)	3	3

Overview of the Board's activities

The Board is chaired by the Secretary of State and brings together ministers, senior officials, and non-executive board members to provide collective strategic leadership. Membership and attendance are set out in Table 1. In 2021-22, the Board met six times. Throughout the year, the Board monitored progress towards achieving departmental objectives by regularly reviewing performance, finance, and risk information. The Board also focused on advising on and providing oversight on the delivery and operational implications of major Defra projects and on the effectiveness of activity in priority areas. Summaries of board meetings are published regularly on gov.uk.[58]

Sub-committees of the Board

Some activities are undertaken on the Board's behalf by its four committees which regularly report to the Board. These are the Executive Committee (ExCo), Delivery Committee (DelCo), Audit and Risk Assurance Committee (ARAC) and Nominations Committee (NomCom). ExCo is supported by seven sub-committees.

Executive Committee (ExCo)

ExCo is the senior decision-making body for the Core department and sets the strategic direction of the Defra group.

- Chair: Tamara Finkelstein (Permanent Secretary).

[58] https://www.gov.uk/govermment/organisations/department-for-environment-food-reual-affairs/about/our-governance

- Membership: Permanent Secretary, all Directors General (DGs), Chief Financial Officer, Group HR Director, Group Director of Communications and Chief Executive Officer of EA. The Chief Scientific Adviser also has a standing invitation.
- Number of meetings in 2021-22: 39.
- Areas of focus in 2021-22 corporate leadership, finance, principal risks, performance and delivery, business transformation and strategic cross-cutting policy issues.
- Sub-committees: ExCo's seven sub-committees report regularly to ExCo. Their primary function is to consult, develop and advise on proposals for ExCo decision.
- In 2021-22, ExCo endorsed raising the threshold for Investment Committee approvals and scrutiny from £5 million to £10 million. This means that Senior Responsible Owners have authority to approve project spend up to £10 million (unless it is novel or contentious) without Investment Committee approval. For all project spending requests above £10 million, ExCo has delegated authority to the Investment Committee to scrutinise and approve these requests, with escalation to ExCo where the spend is novel or contentious.

Delivery Committee (DelCo)

DelCo is a new committee which was set up in 2021-22. It operates as a sister committee to ExCo with similar membership and meets monthly. It's purpose is to foster a focus on outcomes and drive delivery of the projects and other activity needed to deliver those outcomes.

- Chair: Tamara Finkelstein (Permanent Secretary).
- Membership: Permanent Secretary, Lead Non-Executive Director, all Directors General (DGs), Chief Scientific Adviser, Portfolio Director (and Defra Group Project Delivery Head of Profession), Strategy Director, Chief Financial Officer and Defra Group Operational Delivery Head of Profession.
- Number of meetings in 2021-22: 3.
- Areas of focus in 2021-22: setting up ways of working and priorities for the Committee, Defra's delivery portfolio and the Outcome Delivery Plan.

Audit and Risk Assurance Committee (ARAC)

ARAC supports the Board, Principal Accounting Officer and ExCo by reviewing the comprehensiveness and reliability of governance; risk management; the control environment; the integrity of financial statements; and the Annual Report and Accounts (ARA).

- Chair: Colin Day (Non-Executive Director).

- Membership: Chair (Defra Non-Executive Director) and four non-executive members (ARAC chairs of APHA, RPA, EA and NE). With the Chair's agreement, the requirement in the terms of reference for one other Defra non-executive board member to be a member of ARAC was temporarily suspended as there was not capacity amongst non-executive Defra Board members to fill this role. An independent member was therefore appointed from November 2020 to September 2021 to provide specialist skills, knowledge and experience.

- Number of meetings in 2021-22: 5.

- Areas of focus in 2021-22: NAO financial and non-financial value for money audits, GIAA audits, and reviews of the Synergy (HR and payroll system replacement) programme, corporate services transformation programme, whistleblowing policy and IT risk (technical debt).

Nominations Committee (NomCom)

NomCom is an advisory committee of the Defra Board. It is responsible for ensuring there are satisfactory systems for identifying and developing leadership and high potential, scrutinising the incentive structure and succession planning for Senior Civil Service (SCS - Directors General, Directors and CEOs of Delivery Bodies) and non-executive directors.

- Chair: Henry Dimbleby (Lead Non-Executive Director).

- Membership: Chair, Permanent Secretary, Group HR Director, HR Deputy Director – Talent and SCS Development.

- Number of meetings in 2021-22: 3.

- Areas of focus in 2021-22: Director General performance, talent and succession planning, oversight of the broader SCS cohort, including CEOs of delivery bodies, SCS objective setting, SCS capability-based pay, forward look of senior appointments and SCS workforce data analysis, with critical focus on diversity.

Investment Committee

In 2021-22, the Investment Committee (IC) set the internal assurance and approvals framework for business cases and investment decisions. It implemented new ways of working approved by ExCo to maximise its impact, enhance its value added and ensure greater capacity and competence in programme boards. Investment appraisal was reviewed by internal audit in this period, citing substantial assurance was in place across the group.

Key activities

- 71 Defra group business cases were scrutinised against the HM Treasury five case methodology and Accounting Officer tests to ensure strategic alignment and value for money. 66 were approved to proceed.

- New standard business case templates, with full embedded guidance aligning to Green Book standards, were published for use across the Defra group to improve business case quality.

- Independent, internal subject matter experts formed a Red Team to deliver independent assurance reviews, with 42 taking place in 2021-22. Red-Amber-Green (RAG) ratings against key investment appraisal criteria were improved as a result.

- The Committee commissioned a group wide benefits framework which has been piloted in 2021-22 with selected substantial programmes. Efficacy is being monitored via mandatory benefit plans appraised in Red Team reviews.

- As part of its responsibilities, IC controls consultancy spend approvals through the consultancy governance sub-board. This year its scope has been expanded to include contingent labour applications and reflect revised Cabinet Office spend controls, including escalation for Secretary of State approvals. In 2021-22, 31 consultancy and professional services applications were approved. This process has been audited by Government Internal Audit Agency (GIAA) recently with a moderate assessment.

The Board's evaluation of its effectiveness

Our internal review of the Board's effectiveness found its overall performance to be as effective or more effective than the previous year, with improvements made in the quality of information provided on key performance indicators and risk in 2022-2023, our focus is on ensuring non-executive directors are more closely engaged in the development of board agendas while over the longer term we will ensure that skills of board members best support the department's priorities.

Compliance with governance code

The Core department continues to operate in compliance with the principles set out in the *Corporate Governance in Central Government Departments: code of good practice (2017).* While compliance with the code is mandatory for ministerial departments only, Defra's delivery bodies are encouraged to adopt the principles wherever relevant and practical.

Management Controls

Management of interests

Board members

Every six months, individual executive and non-executive board members are required to complete a declaration of interests statement in which they must disclose any financial and non-financial interests of their own or of family members and are expected to declare new interests that may create a conflict as they arise. The full list of interests is published on gov.uk[59].

Where a member's interest is considered by the Board Secretariat and the Permanent Secretary to create a conflict with Defra's responsibilities or the discharge of their duties,

[59] https://www.gov.uk/government/publications/defra-register-of-board-members-interests/defra-register-of-board-members-interests-2021

specific arrangements are agreed and put in place to manage the risk. As a further safeguard, at the start of each board meeting, members are asked to declare if they have any interests which they believe conflict with any item on the meeting agenda and this is recorded in the minutes. Relevant senior staff are made aware where a potential conflict with a non-executive director's other interests exists and the mitigations in place.

Special Advisers (SpAds)

All special advisers are required to make a declaration of interests or confirm there are none to disclose. Any declared interests are set out here, in the governance statement. The Permanent Secretary has considered these returns and the following relevant interest is set out here:

Special adviser Emma Pryor: parents own a small farm which receives a grant through the Basic Payment Scheme (BPS). Emma Pryor resigned from her post on 14 July 2022 to take on a new role elsewhere.

As a result of the recent leadership election and Cabinet reshuffle, Defra has experienced a number of ministerial and special adviser changes and the department is now working with its new leadership to deliver on and achieve its commitments.

Management of interests and business appointments for all staff (including SpAds)

The department is committed to the highest standards of ethical conduct and integrity. Defra's policy on declaring and handling outside interests is clearly outlined in the Defra Code of Conduct, and in its conflict of interest policy.

All staff are responsible for ensuring that there is no conflict of interest between their interests outside work and their role at the department.

All SCS must complete forms to declare outside interests annually. Following the initial request, all non-responders were contacted, risk assessment has been undertaken and escalations were made (where appropriate) to ensure full process compliance.

The business appointment rules[60] apply to serving civil servants and special advisers who intend to take up an outside role after leaving the Civil Service, and to former civil servants for two years after the last day of paid service. Policy and process is in place for managing applications that may require approval before a job or appointment is confirmed outside the Civil Service. The approval process for applications under the rules differs depending on the applicant's seniority.

Advice regarding specific business appointments has been published on Gov.uk[61]. Information on Business Appointment Rules is also available to all staff on the departmental intranet.

[60] https://www.gov.uk/government/publications/business-appointment-rules-for-crown-servants
[61] https://www.gov.uk/government/publications/defra-business-appointment-rules-and-advice

Risk

Effectiveness of risk management

In April 2021, Defra published its revised and updated risk strategy. The revised version is better aligned with the HM Treasury Orange Book and includes additional guidance on risk escalation, reporting and responsibilities and a new section on risk appetite. Over the year, these principles have been embedded in the Core department and our ALBs to develop a clear and consistent approach to Defra group's risk management, escalation and reporting. While escalation routes are clearly set out in the strategy, there is some evidence that risk escalation is not being applied consistently across our ALBs. Defra group's oversight and escalation of risk is outlined in Figure 15.

The department's principal risk register was reviewed and updated quarterly in 2021-22. ExCo and ARAC engagement in risk has improved significantly over the year, supported by workshops. In addition to quarterly reporting, each of our principal risks is now the subject of a rolling programme of ExCo deep dives. We have worked to embed all the strands of our risk management activity into a single framework, including how we identify future vulnerabilities and how we align our principal risks with the National Security Risk Assessment; this work will continue into 2022-23. ARAC regularly reviews both our strategic risks and Defra's wider approach to risk management.

How we gain assurance on our risk management and internal controls

We draw assurance from multiple sources, following the Three Lines of Defence Model. Risk owners carry out direct management of risks, supported by risk practitioners who assist with identifying, managing and reporting their risks and issues. A central risk team sets policies and standards and assists ExCo to provide corporate oversight of the first line of defence. The GIAA provide an objective evaluation of the adequacy and effectiveness of our risk management and control framework.

Risk assessment

Defra group manages some of the most severe threats facing the UK including flooding, severe weather, air quality, chemical, biological, radiological and nuclear (CBRN) emergencies and animal and plant disease outbreaks. We also manage a range of corporate risks such as cyber security, risk of failure of key suppliers, strategic and financial risks, and delivery risks both to Defra group's core business and its change programmes.

New and emerging risks are continually identified and assessed, with plans put in place to control them, in line with the principles outlined in the Government's Orange Book. These include risks relating to supply chain disruption, international cooperation, environmental programmes and business failure in Defra sectors.

The Ukraine conflict has impacted Defra's risk landscape. It has affected several principal risks and issues caused by concurrent incidents including supply chain disruption and rising costs for business and consumers, impacting the food sector and other Core department objectives. The conflict also heightens Defra group's cyber risk either from collateral impact of a cyber-attack launched against Ukraine, or targeted attacks against UK infrastructure. It has also heightened biosecurity risks associated with Ukrainian pet imports.

The top risks that Defra has managed over the past year are security, (including cyber), technological resilience, infrastructure failure and failure to reach NO2 compliance limits and emissions ceilings. A full list of the principal risks, and their associated mitigations, can be found in Chapter 2.

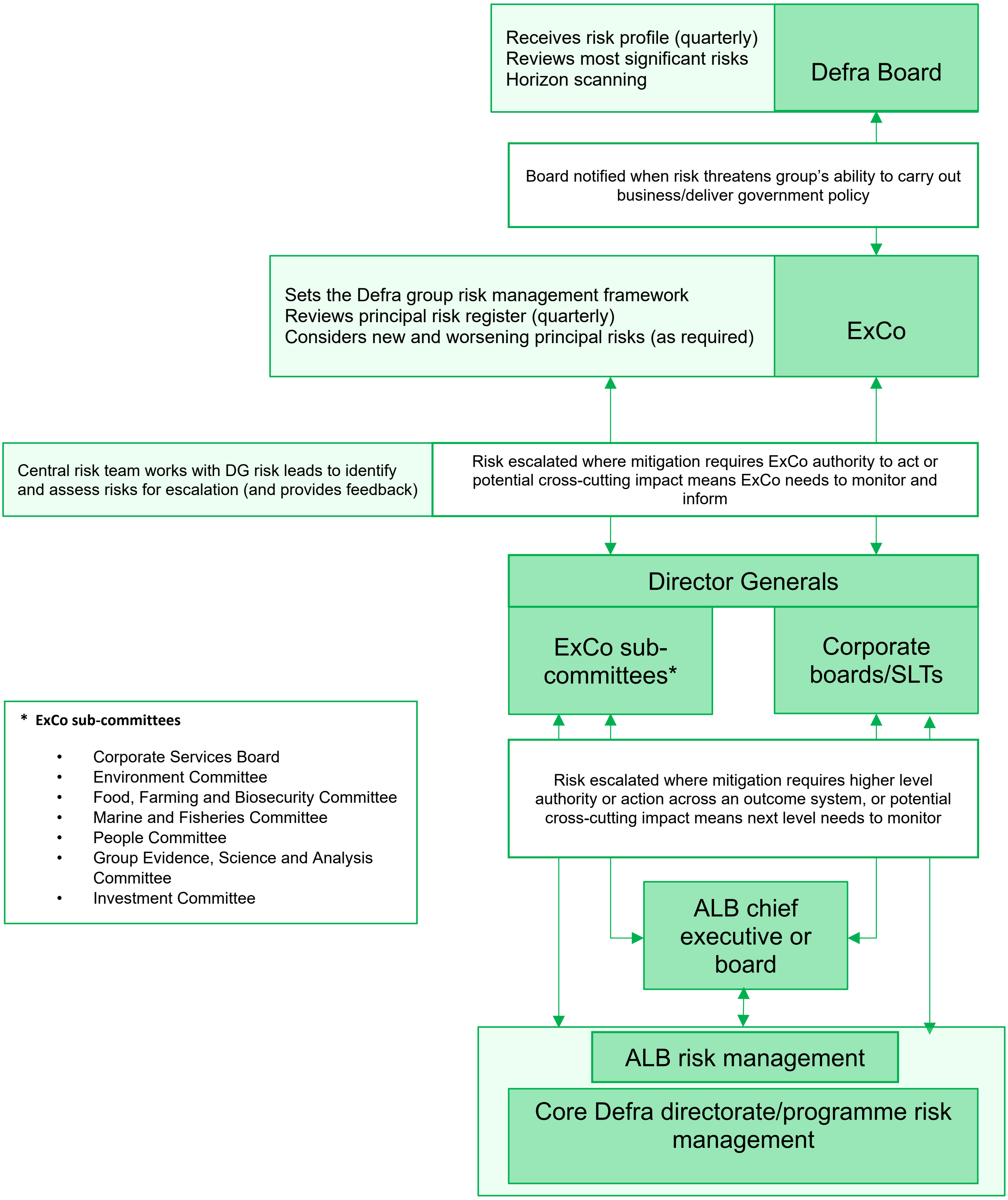


Figure 15: Defra group's oversight and escalation of risk

Management assurance

Directors in the Core department provided statements confirming that responsibilities delegated to them by the Principal Accounting Officer had been properly exercised in 2021–22 explaining any non-compliance. A second line of assurance was conducted by subject matter experts, not involved in the delivery of business, who provided enhanced assurance on the overall picture across the department. This included the following areas: counter fraud, data protection, business continuity, finance, health and safety, performance, commercial, programmes and projects, risk, security and staff conduct. No additional issues were raised because of this exercise.

Recruitment controls

In May 2022, Defra received a letter from the Chancellor of the Duchy of Lancaster and Chief of Staff to the Prime Minister, and the Chancellor of the Exchequer, setting out the need to develop a plan to return Civil Service numbers to 2016 levels, which will mean reducing the service by around 91,000 roles, or approximately 20 per cent of its current size. We have been working with colleagues across Defra and with HM Treasury and Cabinet Office on how we can contribute to this challenge, including any impact on delivery of our objectives against different headcount reduction scenarios. In order to prevent headcount growth that would make additional reductions harder to achieve we have introduced recruitment controls. Once more is known on the specific reductions Defra is asked to deliver, we will revise our workforce plans and resourcing controls accordingly.

Corporate Services

Defra group has a partnership model for delivering corporate services to the Core department and its larger ALBs. Maturing this partnership approach has been a key focus in 2021-22 along with continuing transformation and harmonisation of policy, processes, and systems.

Individual Partnership Agreements and the Group Corporate Services Board (GCSB) continue to provide assurance on the effectiveness of corporate services. Performance was regularly reported to and discussed with the GCSB, ExCo, delivery bodies' executive teams, and Audit and Risk Assurance Committees as required. Defra Group Corporate Services' efficiency benchmarked strongly against other government departments and industry standards, and effectiveness is being baselined against relevant Government Functional Standards.

Our partnership model is seen as best practice across government, and we are actively taking part in the Cabinet Office Operating Model Optimisation Pilot to identify and drive improvements in the way corporate services are delivered and monitored. Recognising the need to address outstanding challenges from previous reform activities, a transformation programme reset progressed significant improvements. These included implementing a refreshed governance framework and functional service catalogues which were co-created with our partners. The reset work has set the blueprint for continuing transformation activities over the next three years.

Legacy technology, security and improving digital services are particular areas of concern that require significant investment. This was partially secured in SR21 funding bids and progress continues to be made in stabilising Defra's legacy technology and improving our digital services. Over the past year, we have mitigated associated risks by upgrading legacy infrastructure; updating some of our most critical applications; and launching new digital services. We still have significant volumes of legacy technology and digital services needing improvement so, in 2022–23 and future years, this area requires ongoing work.

Recognising the challenging landscape of COVID-19 and responding to the changing government guidance, the past year has seen considerable effort given to supporting staff to shift ways of working, to ensuring our buildings are assessed and safe, and ensuring the estate and technology is prepared to enable staff from across the group to move to our future blended/hybrid working approach.

Corporate services have a key role in managing the majority of Defra's principal risks, of which more detail can be found in chapter 2. Security (including cyber security), business and technology resilience and science estate infrastructure failure are notable among these. At SR21, Defra secured partial funding to mitigate and stabilise these risks.

Shared Services

Each Accounting Officer is provided with an annual Letter of Assurance on Shared Services Connected Ltd (SSCL) overall performance. The assurance letter for 2021-22 concludes that "the SSCL management response to the COVID-19 pandemic and their ability to maintain operations during this challenging time has been commendable".

The Government Business Services (GBS) Annual Audit Plan is delivered by SSCL's internal service auditors PricewaterhouseCoopers (PwC) for core SSCL system audits and by the GIAA for end-to-end audits that involve customers. PwC issued an opinion for 2021-22 that concluded "generally satisfactory with some improvements required", whilst GIAA stated a "moderate" opinion.

Overall, SSCL have performed well this year and it is pleasing to see PWC and GIAA auditors noted improvements from last year. Defra Group Shared Services continue to closely monitor the performance of SSCL to ensure that all contract key performance indicators and service level agreements are met, and the services provided to Defra group are in line with both our contract and expectations when working in partnership with SSCL.

Analytical models (business critical models)

Defra continues to apply the quality assurance guidance set out in HM Treasury's Aqua Book. Each analytical model has a senior responsible owner in Defra group, who ensures that assurance activities are appropriate, including regular internal and external peer review of assumptions and developments, verification, change management and governance procedures. This year the GIAA was commissioned to assess progress in implementation of the Macpherson report's recommendations, conformity with the Aqua Book and wider steps to implement Government Functional Standard 10 on Analysis.

The resultant report in March 2022 concluded that the essential elements of the control environment and guidance are in place. It is anticipated that an oversight function for the Quality Assurance (QA) process will be strengthened for a wider range of analytical models as recommended by GIAA, to promote consistent QA, assessment of model uncertainty and support evidence collation and accessibility. The issue of resource constraints impacting the required technical oversight and governance is to be addressed by the Chief Scientific Adviser (CSA) and Director of Analysis.

Security and cyber security

During 2021–22, work has continued to improve our security and cyber security controls. The growth of the security team and the prioritisation of a number of security workstreams has enabled us to improve our compliance with the Government Security Functional Standard and the Government minimum baseline standards against which we self-assess as part of the departmental security health check. Key improvements were - a 4 per cent improvement in cyber security; a 17 per cent improvement in incident management compliance; a 5 per cent increase in personnel security compliance.

However, the department still needs to make further progress to comply with minimum baseline standards and develop security controls. As part of this and in response to the ExCo requirement to reduce the residual security risk across Defra group, part of Digital Data and Technology Services' Spending Review 2021 bid includes provision for a transformational Security Improvement Plan (SIP).

The SIP will target seven key security "pillars" - governance risk management and policy; security culture training and business change; identity management and privileges; legacy and grey IT; protective monitoring and operational security; resilience and disaster recovery; and physical security.

Work has already begun on some of the deliverables under the SIP. Progress has been made in reducing our dependency on legacy technology.

We have developed and rolled out new basic security training for all staff which has been picked up by the Cabinet Office as best practice. We have also put together targeted security briefings and campaigns for high-risk groups and in response to the Ukraine crisis.

Over this period there were five reported incidents across the Core department, APHA, Cefas, EA, JNCC, MMO, NE, RPA and VMD. Four of the incidents involved unauthorised disclosure of information and one involved the publishing of EA email addresses and passwords on the web, most likely as a result of a historic breach of a third party supplier. There have been no incidents reported to the Information Commissioner's Office during this period.

Counter-fraud, whistleblowing and data protection

Counter-fraud

Defra has a risk-based approach to managing fraud, bribery, corruption and error across the group and ensures that activity set out in the group counter fraud, bribery and corruption strategy is delivered in adherence to the group policy and the cross-government Counter Fraud Functional Standard. Performance is monitored and scrutinised internally by ARAC and ExCo and externally by the Cabinet Office.

A process to undertake fraud risk assessments of grant expenditure has been embedded across the Core department and will continue to be rolled out across all grant giving organisations in the group. Since April 2021, 40 fraud risk assessments have been undertaken on individual grant schemes in the Core department, including seven on high-value Future Farming and Countryside Programme schemes. All reported instances of suspected and actual fraud were dealt with in line with the Defra's fraud response plan. In the Core department, financial losses from fraud that were reported to the central fraud hub amounted to £217,000 and work continues across directorates to make reporting routes clear and robust.

Effectiveness of whistleblowing arrangements

The Defra Whistleblowing policy provides good assurance, as highlighted in a recent health check and audit. However, to further strengthen this, a whistleblowing and raising a concern policy review is underway and scheduled for implementation in 2022-23. We continue to build a culture where employees feel comfortable raising concerns and have confidence in these being promptly investigated and addressed.

We continue to use our whistleblowing register that was established in 2021-22 for recording and tracking reported cases. In 2021-22:

- APHA received one whistleblowing case. This case is now closed following investigation. The main allegation of wrongdoing was not upheld, although several suggestions for improvement in the internal processes were made and actively pursued.

- Defra received two whistleblowing cases. Both cases are now closed following investigation. One case identified technical issues that have now been resolved. The other case was closed and not substantiated.

- Twelve cases were raised in the EA. Nine are currently under investigation, two identified management actions and recommendations for the business and one identified learning points which have been fed back into the business.

- No cases were raised in RPA, NE and VMD.

Data protection

During 2021-22, we continued activity to ensure compliance with data protection legislation and Information Commissioner's Office (ICO) guidance. This included replacing data protection reviews with the ICO recommended Accountability Framework. The Defra Data Protection Officer, data protection teams and legal advisers continued to provide advice and guidance as required. In 2021-22, we are working with senior leaders to build data protection issues into policy and delivery planning at an earlier stage. We will also review the data protection governance structure. Two personal data breaches were reported to the ICO this year. In all cases where personal data breaches occurred or risks arose, Defra worked with staff and suppliers to act quickly and effectively, addressing faults and revising processes.

Spending controls

In May 2022, GIAA published a report regarding Defra adherence to Cabinet Office spending controls process designed to reduce wastefulness and encourage a cross-government approach to spending. The report provided a moderate opinion and detailed a number of required improvements to enhance the adequacy and effectiveness of the department's framework of governance, risk management and control.

Arm's length bodies (ALBs)

Issues arising within individual bodies are covered in their respective governance statements, with the most significant also highlighted below.

Public Bodies Reform Programme 2020-2025

Defra's ALBs deliver critical policies on the ground, providing services to communities and businesses across the country while protecting and enhancing our natural environment. Our ALB landscape has evolved over many years, with some organisations designed to operate within EU frameworks. As we assess options to improve nature recovery, it is right to look at how we are organised to meet our ambitious environmental agenda and build a coherent, outward facing group. Defra and our ALBs will continue to work collaboratively on this work as it progresses.

Natural England fatality

On 5 April 2022, a fatal incident occurred at a national nature reserve work base where a subcontractor, working under a Defra wide property maintenance contract, fell whilst undertaking work on a roof. NE continues to work with Health and Safety Executive on the investigation. Full details and analysis of the incident will appear in the NE Annual Report and Accounts 2022-23.

Environment Agency

In 2019-20, NAO raised a qualification on operational asset balances in the Environment Agency (EA) on the basis that these were not valued using a Depreciated Replacement Cost (DRC) approach. In 2020-21, the NAO expanded its qualification on the reported values of operational property, plant and equipment in EA to include those within the scope of the quinquennial revaluation of land and buildings. More information on this is available in the 2019-20 and 2020-21 annual report and accounts. EA are working to deliver a DRC valuation and improve the property assets data and expect these to be in place by the end of the 2022-23 financial year. This means the NAO qualification on this matter remains for the 2021-22 accounts.

In the 2021-22 audit NAO identified in their sample testing of EA projects that:

- some components within Assets Under Construction did not meet the capitalisation criteria and therefore should have been expensed in-year;
- some costs expensed in-year included some items which the Agency either owns or can be deemed to own, and therefore should have been capitalised;

- some assets under construction should have been commissioned into the fixed asset register.

These matters are considered a weakness in EA project accounting records and controls.

It was clear from the early stages of the NAO testing of project accounting that it would be a considerable activity to undertake the substantial analysis needed and that this would be logistically impossible in the time available. The initial results of NAO's testing indicated that there may also be a high value of error. For these reasons and with consideration to the impact of this on project managers and their teams seeking to deliver better protection from flooding for the communities, EA reluctantly chose to limit the scope of NAO's audit in this area for practical and value for money reasons.

EA are working to make the necessary accounting changes which are expected to lead to the removal of any audit qualification over project accounting, this however must be a balance of the time requirement from project managers to minimise the adverse impact on delivery.

Flood Re

Flood Re is a hybrid organisation, run and managed by the insurance industry, with direct Parliamentary accountability and its own governance structure as a not-for-profit reinsurance body. In December 2021, Flood Re was classified by the Office for National Statistics as a central government public body. Flood Re should comply with Managing Public Money and public sector pay and benefits policy. Ongoing discussions around Flood Re pay and remuneration have resulted in the Framework Document between Defra and Flood Re remaining unsigned.

On 27 September 2022, Defra received a retrospective pay exemption (2021-22) from HM Treasury for Flood Re. Defra and HM Treasury continue to work closely with Flood Re to find an enduring solution. Flood Re have agreed to voluntarily negotiate a pay framework, which is due to conclude in January 2023. Flood Re continue to operate within the spirit of the draft Framework Document.

Independent Assurance

The department is subject to independent oversight in several areas and implements many of the recommendations made. This includes:

- Government Internal Audit Agency programme audits and opinion.
- Infrastructure and Projects Authority reviews.
- National Audit Office reports (including Value for Money) and the audit report for the Annual Report and Accounts.

Infrastructure and Projects Authority (IPA) reviews

In 2021–22, all of our major projects were formally constituted with a business case, Senior Responsible Officer and project board, in accordance with the department's integrated assurance and approvals strategy. Business cases were approved by the Investment Committee which oversaw investment decisions on behalf of ExCo. The level of project assurance was based on a risk potential assessment and captured in an Integrated Assurance and Approvals Plan (IAAP) for each project.

The IPA provide third line assurance for our Government Major Projects Portfolio (GMPP) projects and GIAA review our delivery activity at a project and portfolio level. All current Defra GMPP projects are subject to IPA assurance reviews at key stage gates or as part of an annual review cycle. IPA reviews are coordinated with the IPA in accordance with the IAAPs for each project.

Government Internal Audit Agency (GIAA) programme and opinion

Overall, the Group Chief Internal Auditor (GCIA) has provided a moderate opinion on the framework of governance, risk management and internal control for the Core department and across the Defra group for the 2021–22 financial year, although some improvements are required to enhance adequacy and effectiveness. This opinion was reached through the GCIA's engagements on the 2021-22 Defra group internal audit plans, as well as through knowledge gained from their attendance at different management forums, through review of associated papers received, and from other sources of assurance, including the IPA and the NAO. Although the opinion rating is the same as the previous year, this financial year, the GCIA observed an improvement and was satisfied that Defra's governance, risk and control arrangements now fall comfortably into this moderate rating. The GCIA observed that whilst many risks remain for Defra, they are well identified and understood and there are effective strategies in place to address them, albeit some of these strategies are still in their infancy. There were also a higher number of assurance engagements this year, resulting in a higher number of moderate opinions, which raised the level of confidence over the operation of the control environment.

NAO Value for Money reviews/Public Accounts Committee recommendations

The department was subject to two specific Defra focussed NAO reports from 2021-22, where it was the lead department. An overview of the recommendations made by the NAO and Public Accounts Committee (PAC) in 2021-22 is summarised in Table 2[62]. In future, the department will be considering and implementing the recommendations where applicable.

[62] All NAO recommendations published since 1 April 2019 can be found at https://www.nao.org.uk/recommendations-tracker

NAO/ PAC Recommendations

Report title	Publication date	Recommendations	Planned Implementation Date
Environmental Land Management scheme	15-09-2021(NAO) 09-01-2022 (PAC)	7	1 rejected 3 implemented 2 in progress – by end 2022 1 in progress – by April 2023
Planting trees in England	04-03-2022 (NAO) PAC pending	6	On-going with implementation dates to be agreed

Table 2

NAO audit report

The NAO Annual Report and Accounts 2021-22[63] confirmed Defra and EA had acted upon its recommendation to improve the targeting of packaging regulation enforcement inspections. This resulted in a reduction in the number of packaging recovery notes issued fraudulently or in error.

Ministerial Directions

During the 2021-22 financial year, and up to the date of this report, no ministerial directions were issued.

Principal Accounting Officer Conclusion

I have reviewed the opinion of the GCIA and taken advice from the Defra group ARAC, based on the assurances it has considered during the year. I conclude that the department had satisfactory governance, risk management and internal control arrangements in place in 2021–22, and that we have continued to improve.

As Defra group continues to progress its policy objectives, establish and deliver major programmes and provide crucial services in 2022–23, we will also continue to improve our framework of governance, risk management and internal control environment.

Tamara Finkelstein 21 October 2022
Accounting Officer for the Department for Environment, Food and Rural Affairs

[63] https://www.nao.org.uk/corporate-information/nao-annual-report-and-accounts-2021-22/

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed Defra to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the department (inclusive of its executive agencies) and its sponsored non-departmental (and other arm's length) public bodies designated by order made under the GRAA by Statutory Instrument 2021 no 265 (together known as the Defra group, consisting of the department and sponsored bodies listed at Note 18 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and the Defra group and of the income and expenditure, Statement of Financial Position and cash flows of the Defra group for the financial year.

In preparing the accounts, the Accounting Officer of the department is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental public bodies (NDPBs) and other related bodies;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts (ARA) as a whole is fair, balanced and understandable and take personal responsibility for the ARA and the judgements required for determining that it is fair, balanced and understandable.

HM Treasury has appointed the permanent head of the department as Accounting Officer of Defra. In addition, HM Treasury has appointed Ian Gambles as an additional Accounting Officer to be accountable for those parts of the department's accounts relating to the Forestry Commission. Flood Re has an independently appointed chief executive who acts as Senior Responsible Officer (SRO) with accounting officer responsibilities for the body. Flood Re's SRO is directly accountable to Parliament for its income and expenditure. However, because its accounts consolidate into the department's, Flood Re must provide assurance to Defra's accounting officer through its independent auditors that they represent a true and fair view and comply with propriety and regularity expectations as contained in Managing Public Money[64]. These appointments do not detract from the Head of Department's overall responsibility as Accounting Officer for the department's accounts.

[64] https://www.gov.uk/government/publications/managing-public-money

The Accounting Officer of the department has appointed the chief executives of the executive agencies and NDPBs as accounting officers of those bodies. The accounting officer of the department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the department makes to its delivery bodies are applied for the purposes intended, and that such expenditure and the other income and expenditure of the delivery bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the accounting officers of the delivery bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the delivery bodies.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which they are answerable, for keeping proper records and for safeguarding the assets of the department or NDPB for which they are responsible, are set out in Managing Public Money published by HM Treasury.

The Accounting Officer is required to confirm that, as far as they are aware, there is no relevant audit information of which the entity's auditors are unaware, and the accounting officer has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

Directors Report

Our Ministers and Senior Officials

Details of Defra's ministers and senior officials can be found in the departmental membership and attendance table in the Governance Statement.

Pension Liabilities

Details of pension liabilities can be found in Note 15 to the accounts.

Conflicts of Interest

Details of procedures in relation to conflicts of interest can be found in the Governance Statement.

Charities Act

Section 70 of the Charities Act 2006 sets out a power for ministers to give financial assistance to charitable, benevolent or philanthropic institutions. Defra and its delivery bodies are required to report to Parliament annually any financial assistance given to any charitable institution under the Charities Act. For 2021–22, no such payments were made by Defra or its delivery bodies (2020–21, £Nil).

Personal Data Related Incidents

Work to support compliance with data protection legislation has continued throughout the year. In all cases, where personal data breaches have occurred or risks have arisen, Defra has worked with staff and suppliers to act quickly and effectively, address faults and revise processes.

Category	Nature of Incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises	1
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises	16
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	-
IV	Unauthorised disclosure	378
V	Other	49

Employee Health and Safety

Each organisation in the Defra group is legally accountable for the health and safety of their employees. Each has their own arrangements for health and safety to assist senior leaders to fulfil their legal duties. Organisational level reporting requirements are developed to suit each organisations risk profile and requirements of their senior leadership teams. However, health and safety teams across the Defra group recognise the value in benchmarking and voluntarily participate in six monthly benchmarking of lagging indicators including reported cases of work-related injuries, ill health (including work-related stress), and non-injury events such as near misses and unsafe conditions.

COVID-19 continued to influence ways of working across the Defra group during 2021-22 with a large volume of staff remaining working at home. However, some organisations have had many of their workforce remaining working in laboratories, out on operations or fieldwork, and facilities management on site maintaining Defra group workplaces.

Reports of injury and ill health

From 1st April 2021 to 31st March 2022, a total of 1,378 reports of work-related injuries or ill health (including work-related stress) were received across the Defra group (an increase on 2020-21 where 983 reports were received). Of these injuries and ill health, 17 had to be reported to the Health and Safety Executive (HSE) in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).

- 7 were injuries or illness resulting in more than seven days absence from work or normal duties.
- 4 were specified injuries (e.g. fractures).
- 1 was for an occupational disease.

This is a significant decrease compared to the same period in 2020-21 (where 36 RIDDORs for injury or ill health were reported across the Defra group).
Following awareness campaigns there is sustained levels of reporting of work-related stress in some organisations with 358 cases reported (353 were reported in 2020-21). The most common work-related root cause of stress is cited on workload or demands placed upon employees. 76 reports of Musculoskeletal Disorders were received, a minor increase on the 71 reports received during 2020-21. This is likely linked to sustained temporary workspace set up and an increased awareness to report issues. The third top cause was physical

injuries caused by slips, trips or falls on the same level with 71 reports (a large decrease on 2020-21 where 132 were reported).

	1	2	3	4	5	6
	FTE on 31st March 2022	**All Reports of work-related injury or ill health received in the reporting period[1]**	**Of all reports received, how many were *RIDDORs?* Specified Injury, Occupational Disease, over-7 Day absence[2]**	**Of all reports received how many *PEOPLE* had to be absent from work as a result of their injury/ill-health[3]**	**Of all reports received how many were MINOR (no absence)[4]**	**Lost Time Injury Frequency Rate[5]**
AHDB	390.00	29	0	22	7	3.19↑
APHA	2907.00	120	3	13	106	0.26↑
CCW	73.47	1	0	0	1	0.00→
Cefas	608.00	11	0	1	10	0.09↓
Defra	5750.00	143	0	65	78	0.64↑
EA	11221.82	587	4	36	551	0.18↑
FE	1120.00	72	6	0	66	0.30↑
JNCC	256.00	8	0	6	2	1.32↑
Kew	895.40	45	0	1	44	0.06↓
MMO	426.00	8	0	5	3	0.66↑
NE	2501.50	314	4	34	280	0.77↑
NFC	26.00	0	0	0	0	0.00→
OEP	53.06	0	0	0	0	0.00
RPA	2316.00	40	0	7	33	0.17↓
VMD	176.85	0	0	0	0	0.00→
TOTAL	**28721.10**	**1378**	**17**	**190**	**1181**	

1. Column 2 - Includes all reports of work-related injury and ill health (physical and psychological - includes work-related stress where it is recorded by the organisation). Does not include non-injury events such as near misses.,
2. Column 3 - Excludes RIDDOR for Dangerous Occurrences
3. Column 4 – This is the number of people that had to be absent from work as a result of their injury/ill-health (includes work-related stress where recorded by the organisation), not the total number of days that people were absent. For example, if an employee was off sick for 9 days, another employee was off for 27 days, and another employee off for 2 days, it is captured as '3' people for the purposes of this report (not 38 days).
4. Column 5 – all other injuries/ill health that didn't result in any absence of over one day
5. Calculated using reports of injury or episode of ill health resulting in the employee losing one day or more. Lost Time Injury Frequency Rate is the number of people injured over a period for every 100,000 hours worked by a group of employees which enables performance to be compared across organisations of different sizes. Arrows

indicate increase/decrease/maintain since 2020-21 but it is important not to make strict comparisons as not all organisations record work-related stress in H&S data.

'Like for like' comparisons between organisations are not necessarily achievable or helpful as reporting cultures and categories vary e.g., some organisations do not record cases of work-related stress (or sick absence associated with it) some have large operational workforces so reporting of near misses during high-risk operational activity is more embedded as part of the safe systems of work, and those with office-based workforces may see more incidence of musculoskeletal disorders. For example, core-Defra is largely non-operational so will naturally see fewer physical incidents and injuries, the EA has a large operational workforce working outdoors facing physical risks, and APHA have many of their workforce in their laboratories so will be exposed to more biological hazards. It is not unusual for smaller, very low risk, organisations (such as the newly formed Office for Environmental Protection) to have no reported incidents at all during a 12-month period.

At individual organisational level, steps are taken to investigate and action as needed to prevent further reoccurrence. This includes local and (where applicable) group level campaigns and review of control measures to eliminate or minimise risk and provision of protective clothing and equipment as a last resort when required.

Non-injury events

Defra group organisations encourage employees to report near miss (non-injury) events. This is an incident which could have caused an injury e.g. when someone slips on a wet floor but is not injured; when opening a gate a person traps fingers but does not hurt themselves, when a car skids but does not crash; when a fixture falls from a ceiling but does not hit anyone etc. Investigating near misses enables lessons to be learned, shared, and applied to prevent more serious incidents (possibly resulting in injury or ill health) occurring in the future.

3867 non-injury events were reported across the Defra group in the reporting period. Of these;

- 2 dangerous occurrences had to be reported to the Health and Safety Executive (HSE) in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).

- 2297 of these were near miss incidents reported by employees across the group meaning that, on average, one in every 12 employees reported a near miss incident during the reporting period. This is a decrease on the same period last year.

- 1568 reports, double that reported in 2020-21, were also received by employees proactively reporting hazards, or unsafe conditions or working practices, thereby enabling faults to be repaired or rectified before any near miss, or more significant, incidents occurred. This reflects a positive proactive approach to enable actions to be taken to 'make safe' before a near miss or a physical injury can occur.

Prosecutions/Health and Safety Executive (HSE) Interventions

No new prosecutions or interventions by the HSE were served on Defra group organisations during the reporting period.

Following the tragic work-related fatality within the EA in 2020-21, the coroner's inquest process and HSE investigation have concluded. The following statement has been published on the EA internal intranet site.

"Many of you will know that just over a year ago, a highly valued member of our workforce, tragically died in an accident at work when carrying out tree maintenance near Shepperton Lock on the river Thames. Our thoughts have been and remain with his family, friends and colleagues.

As our Chief Executive, James Bevan, indicated previously, we have engaged and fully co-operated over the past year with both the coroner's process and the Health and Safety Executive (HSE) investigation.

We can now tell you that both of those processes have concluded. The inquest was held at Woking Coroner's Court in February and the jury's conclusion was one of accidental death. Following this, the HSE has notified us that they have completed their investigation and have confirmed that they will not be taking any further action in relation to this matter.

All organisations are subject to this scrutiny after such an incident. The fact that the HSE are not proposing to take any further action does not undermine our resolve to constantly improve our health and safety and implement and embed the lessons learned from our review.

We will continue to do all we can to prevent anything like this ever happening again"

A 'lessons learned' briefing has been shared by the EA across Defra group when it is available.

Complaints to the Parliamentary and Health Service Ombudsman (PHSO)

Complaints are received and dealt with at three levels within the Core department.

Level one - by the Defra Service Standards Complaints Adjudicator.
Level two - at a senior level within the relevant business unit.

Most complaints are resolved at levels one and two. Complainants who remain dissatisfied after level two can take their complaint to the PHSO.

Defra's complaints procedure can be found online[65]. Each part of Defra's group has its own complaints procedures which can be viewed on its website.

Learning from complaints is a key priority for the entire Defra group. The Defra group is sharing information on ways of working and lessons learnt and working with PHSO to improve complaints handling.

From 1 April 2021 to 31 March 2022 no complaints were accepted for investigation by the PHSO relating to the Defra group.

[65] https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/about/complaints-procedure

Department for Environment, Food and Rural Affairs	Received	Concluded at preliminary/ assessment	Premature	Not properly made	Withdrawn	Other	Resolution	Early Consideration	Accepted for investigation
2021-22	54	42	-	-	-	4	8	-	-

These figures are a snapshot of complaints with PHSO between April 2021 and March 2022. Not all complaints accepted for investigation in that period will be resolved in the same period and some cases resolved will have been accepted for investigation in the previous year.

Human Rights Disclosure

There has not been any successful litigation against Defra alleging a breach of the Human Rights Act 1998. All Defra primary legislation introduced into Parliament and all Defra statutory instruments during the relevant period which were subject to the affirmative procedure, or which amended primary legislation, have been accompanied by a statement of compatibility with the European Convention on Human Rights. No Parliamentary committee has adversely reported any Defra legislation for breach of the Human Rights Act 1998.

Chapter 5 – Staff and Remuneration Report

The staff and remuneration report provides information on people in Defra and sets out the entity's remuneration policy for directors, how that policy has been implemented, sets out the amounts awarded to directors, and where relevant, the link between performance and remuneration. It also provides details on remuneration and staff that Parliament and others see as important to accountability.

Staff Report

People Survey

2021 was the thirteenth consecutive year in which the Cabinet Office has conducted the annual Civil Service People Survey. The combined response for Defra and the participating agencies (Rural Payments Agency (RPA); Animal and Plant Health Agency (APHA); Veterinary Medicines Directorate (VMD) and Centre for Environment, Fisheries and Aquaculture Science (Cefas) was 69 per cent, an increase of 2 percentage points on 2020. The overall response rate for the Civil Service was 62 per cent (down from 66 per cent in 2020).

People Survey 2021: Summary

The Civil Service People Survey ran for 5 weeks from 28 September to 3 November 2021. Our corporate Defra response rate was 69 per cent and our Core department response rate was 76 per cent, an increase of 10 percentage points. The overall Civil Service response rate was 62 per cent.

In the Core department, our Employee Engagement Index increased to our highest level ever, 67 per cent in 2021, up from 65 per cent in 2020. Our corporate Defra Engagement Index increased by 1 percentage point to 64 per cent. The 2021 Civil Service Engagement Index for 2021 remained at 66 per cent.

Whilst results vary by organisation, corporately Defra has made progress across eight of the nine engagement driver themes compared with 2020, the exception being pay and reward.

It is with immense pride that corporately Defra employees feel more engaged than ever in their work (78 per cent) and the role they play in delivering on our priority outcomes, an increase of 1 percentage point since 2020.

This year, Defra is one of only five government departments to see an increase in leadership and managing changes scores, and in Defra, this has been a year-on-year increase to 55 per cent.

Whilst our inclusion and fair treatment driver theme increased this year and is 1 percentage point higher than the Civil Service benchmark of 82 per cent, our bullying and harassment scores remained static at 87 per cent. We will continue to maintain a zero-tolerance approach to discrimination in any form, while continuing to support our people in reporting incidents.

Despite the uncertainty and challenges the COVID-19 pandemic has brought we have experienced increases in all positive health and wellbeing measures, and levels are very close to returning to those reported pre-pandemic.

For example, our PERMA Index, which tells us the extent to which our people are flourishing in the workplace this year increased from 73 per cent to 74 per cent (up being positive) and our Proxy Stress Index decreased by one percentage point to 27 per cent (down being positive). This tells us that the way stress is managed in Defra is improving.

Importantly we have seen increases in self-rated health – both mental health (+4 percentage points) to 73 per cent and physical (+4 percentage points) to 70 per cent.

However, whilst levels of subjective anxiety have decreased from 46 per cent in 2019 to 43 per cent in 2021, levels do remain high, and this is an issue for us to collectively address.

Whilst 2021 has continued to put pressures on the business and our people, more colleagues this year felt their work-life balance had improved (73 per cent), an increase of 3 percentage points on 2020 scores, and more people felt their workloads were acceptable 60 per cent (up 1 percentage point).

	Corporate	APHA	Cefas	Core	RPA	VMD
My work	78	73	82	80	74	80
Organisational objectives and purpose	82	82	77	81	86	87
My manager	73	67	71	74	76	74
My team	84	77	83	87	83	87
Learning and development	54	50	53	56	53	50
Inclusion and fair treatment	83	75	77	86	84	78
Resources and workload	72	68	74	72	78	77
Pay and benefits	35	26	28	37	38	26
Leadership and managing change	55	42	50	59	58	59

Whilst 2021 has been an unprecedented and challenging year for the business and our people, the results from the People Survey demonstrate the professionalism, leadership, support for one another and on-going commitment to making Defra a great place to work.

At a pan-organisational level we remain committed to on-going work to address factors affecting colleague wellbeing and inclusion as we recognise getting this right is crucial for our long-term sustainability and business performance.

Further Work

There are many positive scores within the People Survey this year, however, we are not complacent and recognise the importance of acting on what our people are telling us. The survey provides valuable insight into the views of colleagues across the Defra group, identifying areas of commonality and differences between organisations. Survey themes and indicators will be used to inform our work programmes over the coming year at both a corporate and a local level to help make Defra an even better place to work.

Recruitment Practice

The Civil Service Order in Council 1995 sets out the legal basis for Defra and its agencies' recruitment policies and practice. The Civil Service Commissioners' Principles for Recruitment are mandatory and must be followed when any post is opened to competition from outside the Civil Service.

Employee Composition

Defra continues to monitor the make-up of the group's workforce by gender which is described in the table below. During recruitment and selection processes applications are anonymised up until the interview stage; interview panel members are required to undertake unconscious bias training; and single gender selection panels are allowed by exception only.

The table below shows the gender split as at 31 March 2022.

Employee Composition	Male	Female
Senior officials on the Defra Board	0	4
Ex Officio on the Defra Board	1	1
Ministers	3	3
Non-executive directors for the Defra group[1] (excluding Ex Officios on the Defra Board)	53	34
Management employees (SCS grade or equivalent) for the Defra group[1] (excluding senior officials on the Defra Board)	221	182
All other employees for the Defra group[1]	14,053	14,268
Total	14,331	14,492

[1]Defra group includes the Core department, executive agencies, non-departmental public bodies (NDPBs), levy bodies, Flood Re, and the National Forest Company. Figures are by headcount.

Diversity and Inclusion

Defra group's Equality, Diversity and Inclusion (EDI) strategy 2020-24 sets five strategic objectives:

- Create more inclusive cultures.
- Build and sustain a diverse workforce across Defra.
- Enhance making the UK a great place to live for all citizens.
- Improve EDI capability and confidence.
- Communicate, raise awareness and report progress.

In addition, the EDI Strategy identified three priorities to improve outcomes where evidence from both statistical indicators and staff views suggests we most need to deliver improvement:

a. Black, Asian and Minority Ethnic (BAME) employees.

b. Disabled employees.

c. Cross-cutting priority on Respect at Work.

Our EDI Strategy extends to all Defra organisations, with the Core department, its executive agencies, Natural England (NE) and the Environment Agency (EA) actively supporting actions against its objectives.

Good progress has been made across priorities supporting Defra to understand their workforce diversity, tackle barriers to inclusion, improve career support for diverse employees, minimise discrimination, bullying and harassment, and ensure policies and programmes show due regard to EDI. Against the backdrop of corporate services and HR transformation, we are focusing on improvements in our People work strands: Induction, Line Management, Performance & Development and Recruitment.

A range of initiatives have been delivered to improve our EDI practice against our five strategic objectives as described below.

Improving practice

Our vision, as set out in Defra Group EDI Strategy, is of diverse and inclusive organisations where every individual has equality of opportunity to progress and to apply their unique insights to making the UK a great place to live. This vision aligns with the vision set out in the Declaration on Government Reform[66] (published June 2021) – to "set the standard for inclusive workplaces where people achieve their full potential".

Our strategic objectives listed above align well with the Civil Service Diversity & Inclusion Strategy, launched on 24 February 2022, with its objective to enable a Civil Service that: understands and draws from the communities it serves; is visible to everyone; is flexible; and welcomes talent from wherever it comes.

Initiatives developed during 2021 to improve our evidence base and EDI governance arrangements include:

- Development of an EDI data dashboard to support the understanding of staff profiles and identify actions needed to improve equality, diversity and inclusion.

- Embedding an EDI governance structure, comprising an Inclusion Leadership Group (Executive Committee level champions and representatives of business areas) and an EDI Delivery Group (comprising representatives of business areas to act as a programme board to share good practice, drive EDI improvements and ensure consistency in taking forward the Group EDI Strategy).

[66] https://www.gov.uk/government/publications/declaration-on-government-reform

- Establishing an EDI and Arm's Length Bodies Open Forum, meeting quarterly and open to all staff across Defra group, to raise awareness of priorities, seek feedback from staff and networks, highlighting best practice and platforming role models.

- Project Race was established in 2018 to improve outcomes for ethnic minority colleagues in relation to representation, progression, performance management and engagement. As of March 2022, Project Race has now been integrated into the HR EDI delivery plan and whilst actions will still address race specific disparities, the focus of the EDI plan will support all protected characteristics across Defra.

In November and December 2021, the Government Internal Audit Agency (GIAA) carried out an audit of our EDI structure and processes. The audit found that "Overall, the governance structures within the Core department are well-designed and allow volunteer networks to operate as part of the overarching EDI approach. The structure is embedding and is well supported by the EDI team who use their internal resource effectively". The audit identified some areas for improvement which we have incorporated into our EDI Delivery Plan for 2022-23.

1. Creating more inclusive workplace cultures

In 2019, the Civil Service set out a definition of what inclusion means, identifying three key elements:
- Authenticity - feeling like you can be your authentic self at work.
- Belonging - feeling like you belong in your organisation and team.
- Voice - feeling like you have the opportunity to speak up.

Defra organisations took part in the culture diagnostic in the summer of 2019, and again in 2021, when all employees were invited to complete a survey to contribute to an assessment of inclusion across the six domains below:

Domain 1: My manager cares about inclusion
Domain 2: I am treated fairly in my team
Domain 3: I can speak up in my team
Domain 4: I belong in my organisation
Domain 5: I can be myself
Domain 6: My team supports one another

These domains are the bedrock of how inclusion is measured across Civil Service departments, including Defra.

Responses to all but one question were as positive or more positive than the average across the Civil Service. However, it was recognised there is work to be done, particularly in relation to sense of belonging.

Defra organisations have a tradition of actively promoting inclusive cultures. Employee EDI networks are encouraged to support the inclusion of diverse employees. They work in collaboration with ExCo EDI champions to deliver actions and communications including, for example, during Black History Month, National Inclusion Week, International Day of Disabled People, International Women's Day, International Men's Day, Interfaith Week, LGBT History month and Mental Health awareness.

Our EDI networks are also consulted during policy development and delivery of projects. In September 2021, we launched our Social Mobility Strategy with our vision to weave social mobility into the fabric of Defra group, helping to further transform our collective culture and demonstrate our commitment to attracting, recruiting and developing a diverse population of talented people including those from marginalised groups.

In November 2021, our Respect at Work Board launched a draft Respect at Work Charter for discussion and debate. Its aim is to prompt a conversation across the organisation about what respect means to us and how we embed it in the ways we work with each other.

2. Build and sustain a diverse workforce across Defra

We actively support underrepresented groups in a number of different ways, adopting an evidence-based approach.

We have combined our Workplace Adjustments passport and our Carers Passport into one Employee Passport which we have expanded to include all individual workplace needs in one record. Our aim is to make the Employee Passport commonplace, to encourage good quality conversations between line managers and their employees to ensure that individual needs are met and recorded.

We have reduced our gender pay gaps across Defra organisations. In addition, we have formed a Cross-organisational Gender Pay Gap Action Planning Group to review good practice and take steps to reduce gender pay gaps and increase gender parity at all levels across Defra organisations.

Ensuring that we have robust data on our workforce enables us to pinpoint problem areas, deploy action effectively and monitor progress.-

From our data and insights, we know there is more we can do to improve both representation and declaration across Defra group organisations[67].

In comparison to March 2021 declaration rates have not changed significantly and average around 83 per cent for both disability and ethnicity. Sexual orientation declaration has seen a minimal increase of less than 1per cent.

Year end	Disability	Ethnic Origin	Sexual Orientation
Mar-21	88.4	87.8	76.3
Mar-22	88.2	87.5	77.1
Variance	(0.2)	(0.3)	0.8

Our 2021 Gender Pay Gap Report shows that our gender pay gap continues to close – see below for more information on our gender pay gap and action we are taking to close it further.

The table below shows female representation by grade as at 31 March 2022. ‘Other’ grades refers to those EA grades which do not map to Civil Service grades.

[67] Defra organisations from this point on refers to the Core department, its Executive agencies (Animal and Plant Health Agency, Cefas, Rural Payments Agency and Vetinery Medicines Directorate), Natural England and the EA

Grade	31 Mar 21	31 Mar 22
AA/AO	60.5%	51.8%
EO	52.5%	50.2%
HEO/SEO	52.5%	53.1%
G7/G6	45.1%	47.0%
SCS	47.1%	46.6%
Other	8.2%	8.1%
Total	50.5%	49.4%

The overall diversity profile across Defra, its executive agencies, the EA and NE in terms of the representation of women, ethnic minority, disabled and lesbian, gay, bisexual and other (LGBO) employees is presented in the table below. This table shows comparisons between March 2021 and March 2022. (Note March 2021 figures have been adjusted to exclude the Marine Management Organisation who no longer contribute to data collation).

Diversity characteristic	March 2021 % Representation	March 2022 % Representation	% in UK Working Age Population
Women	50.5	49.4	50.0
Disabled	14.1	14.7	15.5
Ethnic Minority	6.5	7.0	13.1
LGBO	5.3	6.1	3.3

Diversity representation by grade across Defra and its executive agencies (as at 31 March 2022) is shown in the following table – with AA/AO the most junior and SCS the most senior. ‘Other’ relates to grades in the EA which do not map to Civil Service grades.

Grade	% Disabled	% Women	% Ethnic Minority	% LGBO
AA/AO	15.1	51.8	7.9	7.3
EO	16.4	50.2	7.5	6.2
HEO/SEO	14.8	53.1	7.2	6.4
G7/G6	13.0	47.0	6.2	5.1
SCS	12.9	46.6	7.3	6.8
Other	11.8	8.1	2.9	2.9
Total	**14.7**	**49.4**	**7.0**	**6.1**

Supporting Diverse Talent

We actively support the development of underrepresented groups in a number of different ways. The Project Race initiative launched the Level-UP programme for ethnic minority grade 6/7s across Defra group in January 2021. The aims of the Level-UP programme are to:

- Build confidence and explore the soft skills required to support career progression.
- Expand participants networks and relationships through sponsorship.
- Support participants through the SCS recruitment process.

The programme was completed by 19 participants in July 2021. We are now developing a Level-UP Stepping Into Leadership Toolkit to support roll out of this programme in different parts of the business.

Additionally, diverse cohorts of employees have successfully secured places on mainstream Civil Service wide and locally-driven development programmes, for example: 29 employees from the Core department, the EA, NE, APHA and RPA were accepted on to the Beyond Boundaries programme, a Civil Service wide programme to support the development of employees at grades AA (Administrative Assistant) to SEO (Senior Executive Officer). These places were ring-fenced for ethnic minority employees, disabled employees and employees from lower socio-economic backgrounds.

3. Enhance making the UK a great place to live for all citizens

We ensure our policies, projects, programmes and processes show due regard for diversity and inclusion and consider the impact of decisions on under-represented groups.

Equality Impact Assessments (EIAs) are built into policy decisions to identify potential adverse impacts on employees with protected characteristics. Where a negative impact is identified, part of the process involves developing and implementing action to mitigate them.

We are working to enhance consistency across the Defra group organisations by extending and improving awareness, guidance and practice. We ensure our EDI networks are consulted within this process and that there is synergy in our approach to implementing EIAs across HR, in our external facing policies – and across the Defra group.

We have developed an EDI Advisory Panel to support policy makers to identify a range of diverse stakeholders with whom to consult in the development of Defra policies.

Defra has ambitious plans for improving the diversity of its public appointees to better reflect the communities our ALBs serve.

In 2021, we focussed on improving the way we collect, monitor and analyse data; attracting more diverse talent; ensuring that the application process reflects our commitment to diversity; and developing a board mentorship scheme.

We continue to make good progress, identifying panel members with expertise in equality, diversity and inclusion and ensuring inclusive language is used in our documentation. Last year Defra hosted its first webinar to promote public appointments to potential candidates. We have built on this by creating and sharing videos to encourage applicants from under-represented groups. The Permanent Secretary hosted a roundtable discussion with diversity experts and actions to follow up on this include building closer ties with diversity networks, using more inclusive language in our communications and building a diverse talent pool.

Diversity characteristic	% Representation of all public appointments	% Representation of public appointments made in 2020-21	% Representation of public appointments made in 2021-22
Women	39	42	40
Disabled	2	1	3
Ethnic Minority	4	1	9

4. Improve EDI capability and confidence

Effectively supporting departments, teams and line managers to address, discuss and support EDI initiatives and issues is key to delivering on our overall EDI strategy.

Defra group employees have access to Civil Service learning platforms or alternative learning interventions across the ALBs. Defra Civil Servants are required to complete the 'Inclusion in the Civil Service' e-learning module and similar modules are available in ALBs.

Our EDI team works with our Learning & Development team to ensure EDI content is incorporated into training for all staff, such as corporate induction modules. We have developed a training programme for new line managers which includes a module on 'Managing Inclusively'. As a result of increased remote working during 2021, training has been developed to support running inclusive meetings.

We have developed a Conscious Inclusion Library, available to all staff across Defra organisations, comprising information on a variety of subjects in 'bite-size chunks'. We continue to develop and add to this resource.

In conjunction with our disability networks, we have developed a Disability Confidence workshop for line managers, which is now being rolled out across Defra organisations.

Project Race ambassadors continue to work with senior leaders and colleagues to drive inclusive behaviours and support race equality.

The EDI team are developing regular workshops for line managers on how to lead diverse teams, utilising tools and resource in Defra which will also highlight how to be an effective ally to diverse groups and better understand and reduce potential micro incivilities in the workplace (both real and perceived).

5. Communicate, raise awareness and report progress

Throughout 2021, we have continued to develop and refine our reporting structures, through our EDI Boards, the EDI Delivery Group, and the Inclusion Leadership Group. We have developed an EDI data dashboard, to provide evidence of progress made and future priorities for all areas of the business.

In consultation with the EDI Delivery Group, the Inclusion Leadership Group and ExCo, we have identified key priorities and themes and developed our EDI Delivery Plan accordingly. We report regularly through our governance structure on progress against the Delivery Plan. We work with staff networks, Champions and EDI Boards to identify issues of concern to groups with different characteristics and report progress against those issues.

We work with networks to co-ordinate communications across Defra group raising awareness of significant dates in the EDI calendar – for example during Black History Month, Interfaith Week and the International Day for People with Disabilities. We delivered internal EDI leadership events during the Defra Live event and during National Inclusion Week.

Closing our Gender Pay Gap

In January 2022, we published our Defra Civil Service Gender Pay Gap Report. This shows that the percentage difference in the average pay between all men and women in the organisation has narrowed slightly since 2020. As at 31 March 2021, Defra had a mean gender pay gap of 6.7 per cent, a reduction of 0.5 percentage points on the 2020 figure, and a median pay gap of 6.8 per cent, a reduction of 0.6 percentage points on the 2020 figure.

The table below shows the gender and grade split for Defra Civil Service as at 31 March 2021.

Grade (Increasing in seniority)	**Number of women** (Women as % of workforce at this grade)	**Number of men** (Men as % of workforce at this grade)
AA/AO	1378 (65%)	756 (35%)
EO	1256 (58%)	892 (42%)
HEO	1205 (53%)	1049 (47%)
SEO	1196 (56%)	921 (44%)
G7	818 (50%)	831 (50%)
G6	267 (48%)	286 (52%)
SCS	99 (50%)	102 (50%)
Grand Total*	**6243 (56%)**	**4864 (44%)**

*Figures include unknown grades and rounding applied.
Our gender pay gap has narrowed year-on-year since the inception of reporting in 2017 as indicated in the table below.

Defra Civil Service	2017	2018	2019	2020	2021	% Difference from 2020
Mean Gender Pay Gap	11.5%	9.8%	8.4%	7.2%	**6.7%**	**-0.5%**
Median Gender Pay Gap	12.1%	11.7%	9.4%	7.4%	**6.8%**	**-0.6%**

We are working to further close our gender pay gap by delivering initiatives which include the following:

- Our Defra Group Gender Board, chaired by the Executive Committee level Gender Champion, oversees our work on gender equality and reports to the Inclusion Leadership Group.
- The Gender Board has established a Working Group to develop targeted actions to address the gender pay gap, including:

- Providing active support for women returning to work following maternity or adoption leave. We offer shared parental leave, job share, part-time working opportunities and flexible working.
- We support a range of employee-led networks championed by Defra's senior management.
- We have established a male allyship network that seeks to raise awareness of the importance and influence of effective male allyship in the workplace in reaching greater gender parity.

We continue to review and refresh our approach to resourcing to ensure the recruitment of women and men at all levels is inclusive. We anonymise our application processes, use diverse interview panels for selection and recommend that all interviewers have undergone relevant training. Recruitment data is monitored throughout the attraction, recruitment and selection processes to identify areas for further improvement in achieving greater diversity in our workforce.

Health and Wellbeing

Recognising that the COVID-19 pandemic presented unprecedented challenge and uncertainty for our business and people, we put in place a range of measures to support our peoples' health and wellbeing. This investment resulted in all Defra group's positive wellbeing metrics measured via the 2021-22 annual Civil Service People Survey increasing to levels very close to those reported pre-pandemic.

For example, our PERMA Index, which tells us the extent to which our people are flourishing in the workplace reflects positive changes this year. Our Proxy Stress Index decreased (by one percentage point) and this tells us that the way stress is managed in Defra is improving and perhaps is in response to measures we have put in place such as stress and resilience webinars, improving our stress reporting systems and similar.

Against the four national statistics for personal wellbeing, the positive measures, Life Satisfaction, Worthwhile and Happiness, have improved on average by 6 percentage points in 2021.

Importantly, we have seen increases in self-rated health – both mental health (+4 percentage points) to 73 per cent and physical (+4 percentage points) to 70 per cent.

Whilst 2021 has continued to put pressures on the business and our people, more colleagues this year felt their work-life balance had improved (73 per cent), an increase of 3 percentage points on 2020 scores, and more people felt their workloads were acceptable 60 per cent (up 1 percentage point).

However, whilst levels of subjective anxiety have decreased from 46 per cent in 2019 to 43 per cent in 2021, levels do remain high, and this is an issue for us to collectively address as part of our long-term wellbeing strategy.

In Defra, our sickness absence levels remain below the Civil Service Average Working Days Lost benchmark. Long-COVID is a potential emerging wellbeing issue as we see increasing numbers of COVID absences becoming long-term. This is an area we will continue to watch and develop new interventions with our wellbeing partner where necessary to support our people to remain in work or get back to work.

This year we have set an aspirational vision for health and wellbeing in the Defra group and have invested time in raising awareness of the wellbeing offer across our workforce. In response we are seeing many more Defra colleagues accessing the wellbeing support for a range of interventions and services. This indicates that our people are getting the support and help they need to pro-actively manage, maintain and improve their wellbeing, enabling them to be at their best and perform at their best.

Through collaboration and partnership with our internal and external stakeholders, we have, and will continue to support our people with their wellbeing as they adjust to hybrid working following prolonged periods of working from home for many of our colleagues during the pandemic.

The recent GIAA Wellbeing Audit concluded with a substantial opinion (highest rating), meaning the framework of governance, risk management and control is adequate and effective.

In response to the GIAA audit, we have revised our organisational wellbeing risk (which is reported to our Corporate Services Board) and developed metrics to measure and track our progress and risk mitigation over time. This year we will build on this by setting out proposals to develop a sophisticated health and wellbeing dashboard.

Finally, this year we will build on our five high level principles for organisational wellbeing and re-set our long-term wellbeing strategy, ensuring our approach and interventions are innovative and prevention focussed. We will also develop proposals for a Defra group operating model for health and wellbeing to ensure we have a consistent, efficient and effective approach to wellbeing across the whole Defra group. Both of these strategic actions will help us make progress towards our vision for wellbeing in Defra group.

Managing Attendance

A corporate strategy for managing attendance is in place across Defra, as part of supporting the wellbeing of our people and proactively maintaining good levels of attendance at work. Levels of absence are closely monitored to ensure our people are getting the right support at the right time to help them return to the workplace. We take a pro-active preventative approach to health and wellbeing, encouraging our people to look after themselves and others to help prevent the on-set of ill health. We equip both the individual and their line manager to manage any issue related to their health and wellbeing so people who are able to work can do so.

Our aim is to provide the support needed to not only help people return to work from a period of long-term absence, including keeping in touch, but to also ensure that short term absences are recorded, recognised, and managed well. Our options for support comprise extensive guidance and tools to equip line managers and staff to maintain their own and others' wellbeing as part of delivering well. We also provide Occupational Health advice and intervention, counselling, access to Headspace and other advisory services through our employee assistance programme. We aim to prevent work related ill-health and injury by implementing safe working practices, monitoring, and addressing underlying causes.

The Coronavirus pandemic has had an impact on many of our employees, both as a direct result of COVID-19 and as a consequence of the pandemic on other illnesses. We continue to update our policies to reflect the latest Civil Service Human Resources and government guidance.

In response to the various lockdown situations and move to blended working (part working from home and part in a Defra workplace) Defra has continued to provide a range of tools and support via our dedicated Ways of Working and Well-being Hubs. These included virtual learning and development for those managing dispersed teams, collaboration tools and guidance on staying in touch.

For Defra and its executive agencies, an average of 4.6 working days per employee was lost to sickness absence during the year to 31 March 2022, compared with 3.4 days in the year to 31 March 2021.

Volunteering

Defra continues to demonstrate its commitment to the corporate social responsibility agenda encouraging employees to take advantage of the special leave that is available for volunteering. Defra employees are offered up to three days special leave with pay each year to use their skills to help others by volunteering individually, or as part of a team, for charitable or non-profit-making organisations.

Many of our staff have used their volunteer days to assist with the COVID-19 pandemic situation. In December 2021, Defra responded to the Government's request for assistance to roll out the COVID-19 booster programme by identifying more than 90 volunteers.

Trade Union (TU) Facility Time

The three unions recognised by the Core department and it's agencies for the purposes of consultation and negotiation are the Public and Commercial Services union (PCS), Prospect and FDA. An employee relations framework helps define this relationship.

In accordance with the requirements of the TU (Facility Time Publication requirements) Regulations 2017, the following is a summary of trade union officials of employees and facility time usage of this group during the 2021-22 year.

In the Core department and it's agencies, 55 (53.11 full time equivalent) were TU representatives. Of these employees 41 spent up to 50 per cent of their working hours on facility time on TU business. The other 14 spent none of their working hours on facility time on TU business.

The total cost of the facility time was £145,873 which is 0.026 per cent of the total pay bill. There were no paid TU activities during 2021-22. The total pay bill cost was £570,676,787.

TU information for our NDPBs which are in scope for this disclosure can be found in their individual Annual Report and Accounts (ARA).

Number of Senior Civil Service Staff (or Equivalent) by Band

The table below includes information on NDPBs that are assessed through a different job evaluation system. To enable a consistent understanding of respective roles, and in line with previous years, salary has been used for comparison purposes. Work relating to talent and succession management provides additional assurance in terms of general comparability.

	Core Department	Defra Group
SCS Permanent Secretary	1	1
SCS Pay band 3 or equivalent	6	14
SCS Pay band 2 or equivalent	33	75
SCS Pay band 1 or equivalent	156	313

Flood Re employees are excluded as they cannot be allocated against SCS pay bands.
The figures stated are as at 31 March 2022.

Consultancy and Temporary Staff Expenditure

The table below shows the total consultancy and temporary staff expenditure incurred by the Defra group.

£000	**2021-22 Core Department and Agencies**	**2021-22 Departmental Group**	2020-21 Core Department and Agencies	2020-21 Departmental Group
Consultancy expenditure	26,973	41,944	24,755	36,337
Temporary Staff expenditure	137,606	161,021	133,080	146,205
Total	**164,579**	**202,965**	157,835	182,542

Overall, consultancy expenditure has increased by £5.6 million and temporary staff costs have increased by £14.8 million compared with the prior year. The Core department and the Royal Botanic Gardens Kew (RBG Kew) are the primary contributors to the year on year change for consultancy. The Core department, NE, EA, APHA and RBG Kew are the primary contributors to the year on year increase for temporary staff costs across the group, offset by a decrease at the RPA.

The Core department's consultancy costs have increased by £2.5 million, this is due to an increased demand for consultancy staff around Synergy and the New Wave programme. In addition, RBG Kew increased consultancy spend by £2.1 million on various estates projects and a new retail system.

The Core department's temporary staff costs have increased by £10 million due to costs associated with the implementation of the new Biosecurity, Borders and Trade Programme (BBTP) along with the establishment of Defra's new Northern Ireland Directorate. The need to fill roles on various projects has resulted in an increase in temporary staff costs of £3.8 million for NE and £3.5 million for the EA. APHA have increased temporary staff costs by £2.6 million to cover additional Borders' work and an unprecedented level of Avian Influenza outbreaks, increasing the need for non-permanent staff. RBG Kew's costs increased by £1.6

million due to increased activities following the previous year's lockdown restrictions. This is offset by an £8.6 million reduction within the Rural Payments Agency who continue to reduce reliance on temporary staff.

Staff Costs

The following staff costs, average number of persons employed and exit packages information is audited by the Comptroller and Auditor General.

Staff costs comprise:

	Permanent Employed Staff	Others	Ministers	Special Advisers	2021-22 Total	2020-21 Total
	£000	£000	£000	£000	£000	£000
Salaries and wages	936,119	186,858	199	-	1,123,176	1,088,077
Social security costs	111,433	1,160	22	-	112,615	106,478
Other pension costs	153,510	2,002	-	-	155,512	141,442
Sub total	**1,201,062**	**190,020**	**221**	**-**	**1,391,303**	1,335,997
Less: recoveries in respect of outward secondments	(2,729)	(1,838)	-	-	(4,567)	(6,259)
Total net costs	**1,198,333**	**188,182**	**221**	**-**	**1,386,736**	1,329,738

	2021-22 Charged to Administration Budgets	2021-22 Charged to Programme Budgets	2021-22 Total	2020-21 Charged to Administration Budgets	2020-21 Charged to Programme Budgets	2020-21 Total
	£000	£000	£000	£000	£000	£000
Of which:						
Core department and agencies	447,126	285,927	733,053	418,615	272,613	691,228
NDPBs	43,794	553,920	597,714	51,824	542,679	594,503
Net total SoCNE	**490,920**	**839,847**	**1,330,767**	**470,439**	**815,292**	1,285,731
Staff costs capital:						
Core department and agencies			7,161			1,871
NDPBs			53,375			48,395
Less: recoveries in respect of outward secondments			(4,567)			(6,259)
Total net costs			**1,386,736**			1,329,738

Defra Board (the Board) remuneration is included in the Remuneration Report.

Special Advisers are temporary civil servants. In order to improve efficiency, the administration of staff costs for all Special Advisers across government was moved to the Cabinet Office in July 2019, with corresponding budget cover transfers. Therefore special adviser costs are now reported in the Cabinet Office ARA. Special Advisers remain employed by the respective departments of their appointing Minister.

Civil Service Pension Schemes

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme, known as alpha, are unfunded multi-employer defined benefit schemes. Defra is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2016. Details can be found in the annual accounts of the Cabinet Office: Civil Superannuation[68].

For 2021–22, employer's contributions of £143.7 million (2020–21, £128.7 million) were payable to the PCSPS at one of four rates in the range 26.6 per cent to 30.3 per cent (2020–21, 26.6 per cent to 30.3 per cent) of pensionable earnings, based on salary bands.

The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2021-22 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Other Pension Schemes

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. For 2021–22 employer's contributions of £2.7 million (2020–21, £2.7 million) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age related and ranged from 8 per cent to 14.75 per cent (2020–21 8 per cent to 14.75 per cent) Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £37,000 for 2021–22 (2020–21, £28,000), 0.5 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £Nil (2020–21, £Nil). Contributions prepaid at that date were £Nil (2020–21, £Nil).

In addition to the schemes listed above, EA operates a funded defined benefit scheme, and some other delivery bodies operate small defined contribution schemes. Details of these schemes can be found in the ARAs of the relevant delivery bodies.

There were no individuals in the Core department (2020–21, two) who retired early on ill health grounds. Their total additional accrued pension liabilities in the year amounted to £nil (2020–21, £64,156).

Loans are made to employees to cover season ticket advances and to relocate. As at 31 March 2022, there were no outstanding balances from Core department senior officials.

[68] http://www.civilservicepensionscheme.org.uk/

Average Number of Persons Employed

The average number of whole-time equivalent persons employed within the Defra group during the year was as follows;

Activity	Permanent Employed Staff	Others	Ministers	Special Advisers	2021-22 Total	2020-21 Total
	Number	Number	Number	Number	Number	Number
Environment Agency	8,776	696	-	-	9,472	9,666
Natural England	2,143	126	-	-	2,269	1,939
Animal and Plant Health Agency	2,527	188	-	-	2,715	2,439
Rural Payments Agency	2,164	142	-	-	2,306	2,451
Core department	5,013	1,700	4	-	6,717	5,911
Others	3,612	135	-	-	3,747	3,501
Staff engaged on capital projects	1,178	167	-	-	1,345	1,050
Total	**25,413**	**3,154**	**4**	**-**	**28,571**	26,957
Of which:						
Core department and agencies	11,077	2,236	4	-	13,317	12,098
NDPBs	14,336	918	-	-	15,254	14,859
Total	**25,413**	**3,154**	**4**	**-**	**28,571**	26,957

As at 31 March 2022 the department had three Special Advisers working with Ministers and paid by the Cabinet Office.

Staff Turnover

The Core department staff turnover rate as at the 31 March 2022 was 11.8 per cent. This is a reduction when compared to the staff turnover rate at 31 March 2021 of 13.3 per cent.

Reporting of Civil Service and Other Compensation Schemes – Exit Packages

	2021-22 Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages	2020-21 Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages
Cost band						
< £10,000	12	7	19	6	15	21
£10,000 - £25,000	11	9	20	-	20	20
£25,001 - £50,000	7	5	12	3	4	7
£50,001 - £100,000	4	-	4	6	4	10
£150,001 - £200,000	-	1	1	-	-	-
Total number of exit packages by type	**34**	**22**	**56**	15	43	58
Total resource cost (£000)	**734**	**503**	**1,237**	624	850	1,474
Of which:						
Number of cases						
Core department and agencies	-	-	-	1	6	7
NDPBs	34	22	56	14	37	51
Total	**34**	**22**	**56**	15	43	58
Resource cost (£000)						
Core department and agencies	-	-	-	3	196	199
NDPBs	734	503	1,237	621	654	1,275
Total	**734**	**503**	**1,237**	**624**	**850**	**1,474**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service Pension Scheme. Ill-health retirement costs are met by the Pension Scheme and are not included in the table.

In line with the Constitutional Reform and Governance Act 2010 and the Model Contract for Special Advisers, a Special Adviser's appointment automatically ends when their appointing Minister leaves office. Special Advisers are not entitled to a notice period but receive contractual termination benefits to compensate for this.

Termination benefits are based on length of service and capped at six months' salary. If a Special Adviser returns to work for HM Government following the receipt of a severance payment, the payment is required to be repaid, less a deduction in lieu of wages for the period until their return. Termination costs for Special Advisers are reported in the Cabinet Office Annual Report and Accounts.

Redeployment of EU staff to Defra from Other Government Departments

The Core department had 34 staff on informal loans from other government departments to aid in the work relating to Defra's exit from the EU as at the end of March 2022, inclusive of Trade & Co-operation Agreement (TCA) FTE . The number staff on long (over six months) term loan categorised by grade is shown in the table below. The average duration of all loans was 22.7 months.

The FTE illustrated related to the proportion of full time hours aligned to EU exit/TCA rather than the full FTE of the individual concerned.

Grade	Short Term	Long Term	Total
SCS1	-	1	1
G6	-	3	3
G7	-	8	8
SEO	-	13	13
HEO	-	9	9
Total	-	34	34

The costs of the staff loans was £1,501,519 and is classed as administration costs.

COVID-19 related Redeployment of Defra Staff to Other Government Departments

In response to the COVID-19 pandemic the Core department has entered into arrangements for the loan of Defra Staff to other government departments and other public bodies. The table below details the number of staff redeployed as at the 31 March 2022. The staff were loaned to Department of Health and Social Care (DHSC) and Cabinet Office (CO). The average length of the loan arrangements was 10.7 months.

Grade	Short Term	Long Term	Total
G6	-	3	3
G7	-	1	1
SEO	-	1	1
HEO	-	2	2
Total	**-**	**7**	**7**

The costs of the staff loans was £277,856 and is classed as administration costs.

Coronavirus Support Schemes

During 2021–22 the Board of Trustees of the RBG Kew received £0.12 million (2020-21, £6.4 million) Coronavirus Job Retention Scheme (furlough) grant income from HM Treasury in addition to the grant in aid received from the department. This was in relation to 208 employees (2020-21, 1146), and covered the period April and May 2021. The employees who were furloughed in 2021-22 were mainly employees who were clinically extremely vulnerable in accordance with the Government guidance and the roles could not be undertaken remotely or those whose roles were very limited or even non-existent due to the pandemic, for example, events. Staff could not be redeployed within RBG Kew under the Coronavirus Job Retention Scheme.

Off-Payroll Appointments

Information on off-payroll engagements is set out in the following tables. Off-payroll means anyone who is working for the department or a delivery body but is not paying PAYE (Pay As You Earn) or National Insurance via the departmental payroll.

Highly paid off-payroll worker engagements as at 31 March 2022, earning £245 per day or greater.

	Core Department	Agencies	ALBs	Departmental Group
Number (No.) of existing engagements as of 31 March 2022	698	69	225	992
Of which, no. that existed:				
less than 1 year	407	50	142	599
for between 1 and 2 years	197	12	45	254
for between 2 and 3 years	39	4	11	54
for between 3 and 4 years	32	2	10	44
for 4 or more years	23	1	17	41

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2022, earning £245 per day or greater.

	Core Department	Agencies	ALBs	Departmental Group
No. of temporary off-payroll workers engaged during the year ended 31 March 2022 .	1230	75	311	1616
of which:				
Not subject to off-payroll legislation.	925	13	84	1022
Subject to off-payroll legislation and determined as in-scope of IR35.	253	60	88	401
Subject to off-payroll legislation and determined as out-of-scope of IR35.	52	2	139	193
No. of engagements reassessed for compliance or assurance purposes during the year.	1174	5	106	1285
of which:				
No. of engagements that saw a change to IR35 status following review.	65	-	-	65

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022.

	Core Department	Agencies	ALBs	Departmental Group
No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year.	-	-	1*	1
Total number of individuals on payroll and off-payroll that have been deemed 'board members, and/or senior officials with significant financial responsibility', during the financial year. This figure should include both on payroll and off- payroll engagements.	22	55	166	243

Note:

*Following the resignation of the finance director, Forest Research appointed an off-payroll interim on 8 November 2021 who will remain in-post until a new finance director is recruited. As a temporary measure the interim was removed from the Forest Research Board and their financial responsibility was moved to the CEO at the beginning of May 2022.

Remuneration Report

The information shown within the tables of this report are audited by the Comptroller and Auditor General.

Remuneration Policy

The remuneration of the Senior Civil Service (SCS) is set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB). The Cabinet Office advises the department in March or April each year of the Government's response to the SSRB recommendations and produces guidance for departments to follow.

The Core department develops its SCS reward strategy within the Cabinet Office framework, ensuring that the overall pay awards for the SCS are within the cost ceiling allowed.

Members of the SCS are eligible to be considered for individual levels of bonus as non-pensionable, non-consolidated variable pay (NCVP), based on their performance. NCVP is paid in the financial year after that in which it was earned. During 2021-22, NCVP for 2020–21 performance was paid to approximately 28 per cent of the SCS and was paid at £6,000 for deputy directors, directors and directors general. NCVP values, informed by each individual's appraisal grade, were paid within Cabinet Office guidelines. Departments also have discretion to make in-year non-consolidated award payments to recognise outstanding contribution for SCS staff. These are limited under Cabinet Office guidance to a maximum of £5,000.

The Permanent Secretary is eligible to be considered for a NCVP bonus award measured against achievement of objectives, which for performance in 2020–21 was subject to a maximum of £17,500. Such awards are made by the Permanent Secretaries' Remuneration Committee, which comprises the Chairman of the SSRB (who acts as chair), two other members of the SSRB, the Cabinet Secretary and the Permanent Secretary of HM Treasury.

Ministerial salaries are determined by the Cabinet Office, under the Ministerial and Other Salaries Act 1997.

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit, on the basis of fair and open competition. The recruitment principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below senior officials covered by this report hold appointments which are open ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found on the Civil Service Commission website.

Remuneration (Including Salary) and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the ministers and the board members who were employees of the department during 2021-22. The following tables in the Remuneration Report have been subject to audit.

Ministers

£	2021-22 Salary	2020-21 Salary	2021-22 Pension Benefits**	2020-21 Pension Benefits**	2021-22 Severance Payments	2020-21 Severance Payments	2021-22 Total (to nearest £1000)	2020-21 Total (to nearest £1000)
Rt. Hon. George Eustice MP	67,505	67,505	17,000	17,000	-	-	85,000	85,000
Victoria Prentis MP	27,441	22,375	7,000	5,000	-	-	34,000	27,000
Rebecca Pow MP	22,375	22,375	-	-	-	-	22,000	22,000
Lord Goldsmith***	-	-	-	-	-	-	-	-
Rt. Hon. Lord Benyon (from 13 May 2021)	62,766*	-	17,000	-	-	-	80,000	-
Jo Churchill MP (from 16 September 2021)	12,120*	-	3,000	-	-	-	15,000	-

Ministers who have served during 2021-22 but were not in post as at 31 March 2022

£	2021-22 Salary	2020-21 Salary	2021-22 Pension Benefits**	2020-21 Pension Benefits**	2021-22 Severance Payments	2020-21 Severance Payments	2021-22 Total (to nearest £1000)	2020-21 Total (to nearest £1000)
Lord Gardiner (until 10 May 2021)	11,830*	107,335	1,000	17,000	-	-	13,000	124,000

*Full year equivalent salary for ministers who served part year with Defra

£000	2021-22	2020-21
Lord Gardiner (until 10 May 2021)	107,335	-
Rt. Hon. Lord Benyon (from 13 May 2021)	70,969	-
Jo Churchill MP (from 16 September 2021)	22,375	-

** The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. Ministers' pensions are disclosed to the nearest £000.
***Lord Goldsmith receives no reimbursement from the department.

Senior Officials on the Board

£000	2021-22 Salary	2020-21 Salary	2021-22 Bonus Payments	2020-21 Bonus Payments	2021-22 Pension Benefits	2020-21 Pension Benefits	2021-22 Total	2020-21 Total
Tamara Finkelstein Permanent Secretary	165-170	165-170	15-20	15-20	42	124	225-230	305-310
Sarah Homer Director General	145-150	145-150	5-10	-	57	57	205-210	200-205
Heather Smith Chief Financial Officer	105-110	105-110	-	-	30	46	135-140	150-155
Lucy Smith Director General	125-130	35-40*	0-5	-	48	25	175-180	60-65

Senior Officials who have served during 2021-22 but were not in post as at 31 March 2022

£000	2021-22 Salary	2020-21 Salary	2021-22 Bonus Payment	2020-21 Bonus Payment	2021-22 Pension Benefit	2020-21 Pension Benefit	2021-22 Total	2020-21 Total
James Quinault Director General (until 24 May 2021)	15-20*	115-120*	0-5	5-10	6	209	25-30	335-340
David Kennedy Director General (until 17 November 2021)	85-90*	135-140	5-10	0-5	23	61	110-115	200-205
David Hill Director General (until 17 November 2021)	75-80*	120-125	0-5	5-10	18	93	95-100	220-225
Katrina Williams (from 7 June to 17 November 2021)	55-60*	-	-	-	(10)	-	45-50	-

*Full year equivalent salary for part year officials

£000	2021-22	2020-21
James Quinault	115-120	115-120
Lucy Smith	-	120-125
David Kennedy	135-140	-
David Hill	120-125	-
Katrina Williams	125-130	-

Ex Officio Board Members

The Board has two ex officio members, Emma Howard Boyd from EA and Tony Juniper from NE.

The ex officio members do not receive any additional payment from the Core department for their duties on the Board. For details of the remuneration of these ex officio members, please see the EA and NE ARAs as they are paid by these entities.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HM Revenue and Customs as a taxable emolument. No Defra officials received benefits in kind during the 2021–22 year.

Salary

Salary includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on accrued payments made by the department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP £81,932 (from 1 April 2020) and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the department and is therefore shown in full in the figures above.

The information given above relates to members of the Board. Equivalent information relating to the entities consolidated into the departmental accounts (as per Note 18: executive agencies, NDPBs, NFC, Flood Re, Forestry Commission and LFBs) is given in their separate ARAs.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2021–22 relate to performance in 2020–21 and the comparative bonuses reported for 2020–21 relate to the performance in 2019–20.

Non-Executive Directors (NEDs)

£	2021-22 Fees Entitlement	2021-22 Fees Paid**	2021-22 Benefits in Kind	2020-21 Fees Entitlement	2020-21 Fees Paid**	2020-21 Benefits in Kind
Henry Dimbleby	20,000	15,000	-	20,000	30,000	-
Elizabeth Buchanan	15,000	11,250	-	15,000	18,750	-
Ben Goldsmith	15,000	Fee waived	-	15,000	Fee waived	-
Colin Day	20,000	15,000	-	20,000	25,000	-
Lizzie Noel	15,000	11,250	-	15,000	26,250	-

**Differences between the entitlements and amounts paid arise due to timing of claims. Where the amount paid exceeds the entitlement for the year, this relates to fees for previous periods.

Pension Benefits

Ministers

£000	Accrued Pension at Pension Age as at 31 March 2022	Real Increase in Pension at Pension Age	*CETV at 31 March 2022	*CETV at 31 March 2021	Real Increase in CETV
Rt. Hon. George Eustice	5-10	0-2.5	85	66	8
Victoria Prentis MP	0-5	0-2.5	12	6	4
Rebecca Pow MP	-	-	-	-	-
Lord Goldsmith	-	-	-	-	-
Rt. Hon. Lord Benyon (from 13 May 2021)	0-5	0-2.5	19	-	12
Jo Churchill MP (from 16 September 2021)	0-5	0-2.5	25	21	2

Ministers who have served during 2021-22 but were not in post as at 31 March 2022

£000	Accrued Pension at Pension Age as at 31 March 2022	Real Increase in Pension at Pension Age	*CETV at 31 March 2022	*CETV at 31 March 2021	Real Increase in CETV
Lord Gardiner (until 10 May 2021)	10-15	0-2.5	248	246	1

*Start and end date of Cash Equivalent Transfer Value (CETV) is 31 March or date of joining or leaving the Board.
**Lord Goldsmith and Rebecca Pow MP chose not to be covered by the ministerial pension scheme arrangements during the reporting year.

Ministerial Pensions

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015[69].

Those ministers who are MPs may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were MPs aged 55 or older on 1 April 2013 have transitional protection to remain in the previous MP's final salary pension scheme.

Benefits for ministers are payable from State Pension age under the 2015 scheme. Pensions are revalued annually in line with pensions increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1 per cent and the accrual rate is 1.775 per cent of pensionable earnings.

[69] http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc

The figure shown for pension value includes the total pension payable to the member under both the pre and post 2015 ministerial pension schemes.

Senior Officials on the Board

£000	Accrued Pension as at 31 March 2022 and Related Lump Sum	Real Increase in Pension and Related Lump Sum at Pension Age	*CETV at 31 March 2022	*CETV at 31 March 2021	Real Increase in CETV	Employer Contribution to Partnership Pension Account (Nearest £100)
Tamara Finkelstein Permanent Secretary	85-90	2.5-5	1,521	1,420	17	-
Sarah Homer Director General	5-10	2.5-5	128	80	36	-
Heather Smith Chief Financial Officer	35-40	0-2.5	474	436	10	-
Lucy Smith Director General	40-45	2.5-5	547	495	21	-

*Start and end date of CETV is 31 March or date of joining or leaving the Board.

Senior Officials who have served during 2021-22 but were not in post as at 31 March 2022

£000	Accrued Pension as at 31 March 2022 and Related Lump Sum	Real Increase in Pension and Related Lump Sum at Pension Age	*CETV at 31 March 2022	*CETV at 31 March 2021	Real Increase in CETV	Employer Contribution to Partnership Pension Account (Nearest £100)
James Quinault (until 24 May 2021)	45-50 plus lump sum 95-100	0-2.5 plus lump sum 0	796	792	3	-
David Kennedy (until 17 November 2021)	50-55	0-2.5	808	762	9	-
David Hill (until 17 November 2021)	40-45 plus lump sum 80-85	0-2.5 plus lump sum 0	666	631	5	-
Katrina Williams (from 7 June until 17 November 2021)	60-65 plus lump sum 180-185	0 plus lump sum 0	1,433	1,383	(10)	-

*Start and end date of CETV is 31 March or date of joining or leaving the Board.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switch into alpha sometime between 1 June 2015 and 1 February 2022.

Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below).

All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6 per cent and 8.05 per cent for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of one-eightieth of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of one-sixtieth of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32 per cent. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The Partnership Pension Account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8 per cent and 14.75 per cent (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

Further details about the Civil Service pension arrangements can be found at the website (www.civilservicepensionscheme.org.uk).

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures shown include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real Increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Fair Pay Disclosures

This information has been subject to audit.

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The banded remuneration of the highest-paid director in the department in 2021-22 was £180,000-185,000 (2020-21, £180,000-185,000). This was 5.6 times (2020-21, 5.6) the median remuneration of the workforce, which was £32,557 (2020-21, £32,557).

The banded remuneration of the highest paid director remained unchanged in 2021-22 from the previous year. They did not receive an increase in salary.

In 2021-22, one (2020-21, five) employees received remuneration in excess of the highest-paid director. All those receiving higher remuneration were contractors employed for their specialist skills. No permanent staff received remuneration in excess of the highest paid director. Remuneration ranged from £15,000-£20,000 to £190,000-£195,000 (2020-21: £15,000-£20,000 to £220,000- £225,000).

The highest banding of the workforce has fallen due to a fall in the number of staff employed for their specialist skills and paid more than the highest paid director.

Percentage change in total salary and bonuses for the highest paid director and the staff average.

	2021-22 Total salary and allowances	**2021-22 Bonus Payments**	2020-21 Total salary and allowances	2020-21 Bonus Payments
Staff average	2.93	0.11	Not known	Not known
Highest paid director	-	-	7.1	43

Ratio between the highest paid directors' total remuneration and the lower quartile, median and upper quartile for staff pay.

	Lower quartile	**Median**	**Upper quartile**
2021-22	**7.2**	**5.6**	**4.3**
2020-21	7.2	5.6	3.8

Lower quartile, median and upper quartile for staff pay for salaries and total pay and benefits.

	Lower Quartile 2021-22	Lower Quartile 2020-21	**Median 2021-22**	Median 2020-21	**Upper Quartile 2021-22**	Upper Quartile 2020-21
Salary	**25,012**	25,101	**32,557**	32,557	**42,530**	47,549
Total Pay and Benefits	**25,263**	25,335	**32,557**	32,557	**42,744**	47,615

Chapter 6 – Parliamentary Accountability and Audit Report

The parliamentary accountability and audit report describe how departments are financed through the Parliamentary Estimates process. Details are also provided regarding the regularity of expenditure, so that Parliament can be assured that funds have been expended in the manner intended. This meets the key accountability requirements to Parliament. The Certificate and Report of the Comptroller and Auditor General to the House of Commons is also included, as required by the Government Resources and Accounts Act 2000.

Statement of Outturn against Parliamentary Supply

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS); the Government Financial Reporting Manual (FReM) requires Defra to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provisions (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by its' Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly match to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (SOPS Note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to link the SOPS to the financial statements (SOPS Note 2); a reconciliation of outturn to net cash requirement (SOPS Note 3); and, an analysis of income payable to the Consolidated Fund (SOPS Note 4).

Unless specifically stated in the table the 2020–21 comparatives have been not restated.

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. An understanding of the budgeting framework and an explanation of the key terms is provided in the financial review section of the performance report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in Chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial analysis, in the Performance Report, provides a summarised discussion of outturn against estimate and functions as an introduction to the SOPS disclosures.

Summary of Resource and Capital Outturn 2021–22

The table below includes the results for the Core department, executive agencies, Forestry Commission, Flood Re and non-departmental public bodies.

							2021-22			2020-21
			Outturn			**Estimate**		**Outturn vs Estimate: Saving/(Excess)**		
	Note SOPS	**Voted**	**Non-Voted**	**Total**	**Voted**	**Non-Voted**	**Total**	**Voted**	**Total**	Outturn Total
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	£000
Departmental Expenditure Limit										
Resource	1.1	4,289,701	(751)	4,288,950	4,444,549	(751)	4,443,798	154,848	154,848	4,621,397
Capital	1.2	1,333,878	-	1,333,878	1,420,231	-	1,420,231	86,353	86,353	890,708
Total		**5,623,579**	**(751)**	**5,622,828**	**5,864,780**	**(751)**	**5,864,029**	**241,201**	**241,201**	5,512,105
Annually Managed Expenditure										
Resource	1.1	432,741	-	432,741	1,485,752	-	1,485,752	1,053,011	1,053,011	(612,049)
Capital	1.2	2,655	-	2,655	158,507	-	158,507	155,852	155,852	3,600
Total		**435,396**	**-**	**435,396**	**1,644,259**	**-**	**1,644,259**	**1,208,863**	**1,208,863**	(608,449)
Total Budget										
Resource	1.1	4,722,442	(751)	4,721,691	5,930,301	(751)	5,929,550	1,207,859	1,207,859	4,009,348
Capital	1.2	1,336,533	-	1,336,533	1,578,738	-	1,578,738	242,205	242,205	894,308
Total Budget Expenditure		**6,058,975**	**(751)**	**6,058,224**	**7,509,039**	**(751)**	**7,508,288**	**1,450,064**	**1,450,064**	4,903,656
Non-Budget Expenditure	1.1	1,699	-	1,699	10,000	-	10,000	8,301	8,301	151,891
Total Budget and Non-Budget		**6,060,674**	**(751)**	**6,059,923**	**7,519,039**	**(751)**	**7,518,288**	**1,458,365**	**1,458,365**	5,055,547

The table above details the 2021–22 figures for voted totals subject to parliamentary control, and the non-voted estimate and outturn which was an exceptional item relating to a Contingency Fund Advance for OEP, due to the enabling legislation and passing of the Environment Bill being delayed. Refer to the Supply Estimates Guidance manual, available on gov.uk, for detail on the control limits voted by Parliament. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Net Cash Requirement 2021–22

		2021-22			2020-21
		Outturn Voted	Estimate	Voted Outturn vs Estimate: Saving/ (Excess)	Outturn Total
		£000	£000	£000	£000
Net cash requirement	SOPS 3	5,277,439	5,956,574	679,135	4,941,943

Administration costs 2021–22

	2021-22			2020-21
	Outturn Voted	Estimate	Voted Outturn vs Estimate: Saving/ (Excess)	Outturn Total
	£000	£000	£000	£000
Administration costs	832,308	962,653	130,345	732,312

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of variances between the Estimate and outturn are given in Chapter 3.

The notes on pages 168-240 form part of these accounts.

SOPS 1 –Outturn detail, by Estimate Line

SOPS 1.1 – Analysis of Resource Outturn by Estimate Line

	2021-22											2020-21
	Outturn							Estimate				
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements[1]	Net Total Adjusted for Virements	Outturn Compared to Estimate, saving/ (excess)	Total[2]
	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'
Spending in Departmental Expenditure Limits (DEL)												
Voted												
Food and farming	79,527	(332)	79,195	2,191,965	(305,939)	1,886,026	1,965,221	2,093,468	(79,836)	2,013,632	48,411	2,417,013
Improve the environment and rural services	109,268	(845)	108,423	468,335	(25,733)	442,602	551,025	640,817	(86,901)	553,916	2,891	511,983
Protect the country from floods	2,456	(6)	2,450	864	-	864	3,314	2,534	1,352	3,886	572	3,052
Animal and plant health	59,143	(26)	59,117	359,085	(87,930)	271,155	330,272	364,482	10,479	374,961	44,689	262,613
Marine and fisheries	21,913	(27)	21,886	62,277	(23,286)	38,991	60,877	87,936	(22,608)	65,328	4,451	82,456
Departmental operating costs	407,714	(10,280)	397,434	152,177	(13,849)	138,328	535,762	647,354	(60,432)	586,922	51,160	525,555
Improve the environment and rural services (ALB) (net)	82,444	-	82,444	280,184	-	280,184	362,628	257,988	106,096	364,084	1,456	296,160
Protect the country from floods (ALB) (net)	79,161	-	79,161	368,729	-	368,729	447,890	320,547	127,343	447,890	-	496,847
Marine and fisheries (ALB) (net)	2,198	-	2,198	30,514	-	30,514	32,712	29,423	4,507	33,930	1,218	25,718
Non Voted												
Improve the environment and rural services	-	-	-	(751)	-	(751)	(751)	(751)	-	(751)	-	-
Total	**843,824**	**(11,516)**	**832,308**	**3,913,379**	**(456,737)**	**3,456,642**	**4,288,950**	**4,443,798**	**-**	**4,443,798**	**154,848**	4,621,397

	2021-22											2020-21
	Outturn							Estimate				
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Total	Virements[1]	Net Total Adjusted for Virements	Outturn Compared to Estimate, saving/ (excess)	Total[2]
	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'	£000'
Spending in Annually Managed Expenditure Limits (AME)												
Voted												
Food and farming	-	-	-	(59,847)	-	(59,847)	(59,847)	50,881	-	50,881	110,728	(530,714)
Improve the environment and rural services	-	-	-	333,502	-	333,502	333,502	234,625	100,000	334,625	1,123	(3,936)
Animal and plant health	-	-	-	(6,627)	-	(6,627)	(6,627)	4	-	4	6,631	(236)
Marine and fisheries	-	-	-	232	-	232	232	7	225	232	-	(1)
Departmental operating costs	-	-	-	108,294	-	108,294	108,294	1,002,920	(138,893)	864,027	755,733	24,599
Food and farming (ALB) (net)	-	-	-	(930)	-	(930)	(930)	5,096	-	5,096	6,026	(343)
Improve the environment and rural services (ALB) (net)	-	-	-	74,826	-	74,826	74,826	36,158	38,668	74,826	-	(27,381)
Protect the country from floods (ALB) (net)	-	-	-	(15,586)	-	(15,586)	(15,586)	156,000	-	156,000	171,586	(76,104)
Marine and fisheries (ALB) (net)	-	-	-	(1,123)	-	(1,123)	(1,123)	61	-	61	1,184	2,067
Total	**-**	**-**	**-**	**432,741**	**-**	**432,741**	**432,741**	**1,485,752**	**-**	**1,485,752**	**1,053,011**	(612,049)
Spending in Non Budget Expenditure Limits												
Voted												
Food and farming	-	-	-	167,784	(166,085)	1,699	1,699	10,000	-	10,000	8,301	417
Prior period adjustments	-	-	-	-	-	-	-	-	-	-	-	151,474
Total	**-**	**-**	**-**	**167,784**	**(166,085)**	**1,699**	**1,699**	**10,000**	**-**	**10,000**	**8,301**	151,891
Resource Outturn	**843,824**	**(11,516)**	**832,308**	**4,513,904**	**(622,822)**	**3,891,082**	**4,723,390**	**5,939,550**	**-**	**5,939,550**	**1,216,160**	4,161,239

[1] Virement reallocates underspends on one part of the Estimate to cover overspends on another part of the Estimate. Detailed explanations of significant variances between Estimate and net resource outturn are shown in Chapter 3

[2]. The Countryside and Rural Services Estimate line has been merged within existing Estimate lines and has subsequently changed the allocation of some prior year numbers.

SOPS 1.2 – Analysis of Capital Outturn by Estimate Line

	2021-22							2020-21
	Outturn			Estimate			Outturn Compared to Estimate, saving/ (excess)	
	Gross	Income	Net Total	Total	Virements[1]	Total Adjusted for Virements		Net Total[2]
	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)								
Voted								
Food and farming	154,713	(2,488)	152,225	150,475	4,238	154,713	2,488	23,799
Improve the environment and rural services	101,398	(2,583)	98,815	149,536	(48,357)	101,179	2,364	57,489
Protect the country from floods	7,067	-	7,067	8,552	-	8,552	1,485	2,580
Animal and plant health	35,761	(259)	35,502	68,342	-	68,342	32,840	11,439
Marine and fisheries	18,208	(1)	18,207	29,024	-	29,024	10,817	11,845
Departmental operating costs	138,373	(101)	138,272	125,564	31,217	156,781	18,509	86,619
Improve the environment and rural services (ALB) (net)	112,401	-	112,401	130,251	-	130,251	17,850	61,527
Protect the country from floods (ALB) (net)	769,630	-	769,630	758,487	11,143	769,630	-	634,531
Marine and fisheries (ALB) (net)	1,759	-	1,759	-	1,759	1,759	-	879
Total	**1,339,310**	**(5,432)**	**1,333,878**	**1,420,231**	**-**	**1,420,231**	**86,353**	890,708
Spending in Annually Managed Expenditure (AME)								
Voted								
Departmental operating costs	-	-	-	140,000	(25)	139,975	139,975	-
Food and farming (ALB) (net)	271	-	271	14,507	-	14,507	14,236	1,438
Protect the country from floods (ALB) (net)	2,359	-	2,359	4,000	-	4,000	1,641	2,060
Marine and fisheries (ALB) (net)	25	-	25	-	25	25	-	102
Total	**2,655**	**-**	**2,655**	**158,507**	**-**	**158,507**	**155,852**	3,600
Capital Outturn	**1,341,965**	**(5,432)**	**1,336,533**	**1,578,738**	**-**	**1,578,738**	**242,205**	894,308

1. Virement reallocates underspends on one part of the Estimate to cover overspends on another part of the Estimate

2. The Countryside and Rural Services Estimate line has been merged within existing Estimate lines and has subsequently changed the allocation of some prior year numbers.

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided in the Supply Estimates Manual, available on GOV.UK.

The outturn versus estimate column is based on the total including virements. The Estimate total before virements have been made is included so that it can be reconciled by users to the Estimates laid before Parliament.

SOPS 2 – Reconciliation of Net Resource Outturn to Net Operating Expenditure

			Note/Ref	**2021-22 Outturn £000**	2020-21 Outturn £000
Total resource outturn in SOPS		Budget		4,722,442	4,009,348
		Non budget		1,699	151,891
				4,724,141	4,161,239
	Add:	Capital grants / income		412,058	142,703
		Capital works expensed in year		528,172	476,718
		Capital research and development		78,067	46,224
		Adjustment to IFRIC 12		3,188	24
	Total			**1,021,485**	665,669
	Less:	Income payable to the Consolidated Fund		(3,430)	(6,218)
		Non-Voted Budget Items		(751)	-
		Prior period adjustments		-	(151,474)
	Total			**(4,181)**	(157,692)
Net Operating Expenditure in SoCNE			SoCNE	**5,741,445**	4,669,216

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled in line with the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SOPS to the financial statements.

The SoCNE includes capital grants; these score in capital budgets. Note 3.3 below details the breakdown of grants and subsidies expenditure. Note 4.2 details capital grant income.

Capital Expenditure on Flood and Coastal Defence Work (£523.9 million) is included in the SoCNE (Note 3.1) but is scored against capital budgets.

The SoCNE includes Research and Development costs that meet the ESA10 definition; these score in capital budgets.

Details of the Income payable to the Consolidated Fund can be found at Note SOPS 4.1 below.

SOPS 3 – Reconciliation of Net Resource Outturn to Net Cash Requirement

		2021-22			2020-21
	Note/Ref	Outturn	Estimate	Net total Outturn vs Estimate: saving/ (excess)	Outturn
		£000	£000	£000	£000
Resource outturn	SOPS 1.1	4,723,390	5,939,550	1,216,160	4,161,239
Capital outturn	SOPS 1.2	1,336,533	1,578,738	242,205	894,308
Accruals to cash adjustments (Core and agencies only):					
Accrual to cash basis - capital expenditure		9,385	-	(9,385)	(1,464)
Accrual to cash basis - capital disposals		2,832	-	(2,832)	14,555
Service concession adjustment and other finance leases		(2,241)	-	2,241	(11,445)
Adjustments for NDPBs:					
Remove voted resource		(966,869)	(805,273)	161,596	(950,088)
Remove voted capital		(888,417)	(907,245)	(18,828)	(700,537)
Add cash grant-in-aid		1,474,209	1,542,376	68,167	1,225,292
Add Defra Contribution to EA Closed Pension Scheme Fund		47,900	-	(47,900)	51,600
Adjustments to remove non cash items (Core and agencies only):					
Depreciation / amortisation / impairment	3.2	(73,152)	(127,340)	(54,188)	(73,702)
New provisions and adjustment to provisions	3.2	(442,880)	(1,369,761)	(926,881)	450,070
Other non cash items		38,189	(6,847)	(45,036)	20,702
Adjustments to reflect movements in working capital balances (Core and agencies only) :					
Increase/(decrease) in inventories	SoCF	229	-	(229)	(355)
Increase/(decrease) in receivables excluding derivatives	SoCF	(219,601)	60,000	279,601	(388,879)
Adjustment for derivative financial instruments	SoCF	(11,549)	-	11,549	18,528
Movement in receivables affecting items not passing through the SOPS	SoCF	(2,005)	-	2,005	(5,763)
(Increase)/decrease in payables excluding derivatives	SoCF	207,458	-	(207,458)	290,705
Movement in payables affecting items not passing through the SOPS	SoCF	(67,433)	-	67,433	(153,277)
Use of provisions	SoCF	110,546	51,625	(58,921)	100,469
Funding to / from other bodies	SoCF	164	-	(164)	(15)
Removal of non voted budget items:					
Consolidated Fund Standing Services		751	751	-	-
Net cash requirement		**5,277,439**	**5,956,574**	**679,135**	4,941,943

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled in line with the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

Explanations of significant variances between estimate and outturn for resource, capital and net cash requirement are shown in Chapter 3.

SOPS 4 – Income Payable to the Consolidated Fund

SOPS 4.1 – Analysis of income payable to the Consolidated Fund

In addition to income retained by the department, the following income is payable to the Consolidated Fund (cash receipts are shown in italics).

	Outturn 2021-22		Outturn 2020-21	
	Accruals basis	**Cash basis**	Accruals basis	Cash basis
	£000	**£000**	£000	£000
Income due to the Consolidated Fund	3,430	1,425	6,218	455
Total income payable to the Consolidated Fund	3,430	1,425	6,218	455

The income paid to the Consolidated Fund includes; income in relation to the index linked annual payment for the HMG provision of the insurance element of the Government contingent support package (GSP) for the Thames Tideway (£0.473 million), income in relation to an agreement with the National Institute for Agricultural Botany (£2.005 million) for land sales where the income has been accrued but the cash not yet received, and income relating to disease outbreak costs that APHA incurred in prior years (£0.941 million).

SOPS 4.2 – Consolidated Fund Income

Consolidated Fund income shown in SOPS 4.1 above does not include any amounts collected by the department where it was acting as agent for the Consolidated Fund rather than as a principal.

Long Term Expenditure Trends

The long term expenditure trends can be found in the Core Tables in Annex 1.

Further Information Relating to Parliamentary Accountability

Public Sector Bodies Outside the Boundary

The names of any public sector bodies outside the boundary for which Defra had lead policy responsibility in the year, together with a description of their status can be found in Note 19.

Losses and Special Payments (Audited)

Losses Statement

Losses are reported on an accruals basis.

	2021-22		2020-21	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Losses values				
Cash losses	1,427	1,843	3,784	5,045
Stores losses	12	12	47	47
Administrative write-offs	-	2,898	-	2,873
Fruitless payments	63,229	63,229	26,955	26,955
Constructive losses	11,090	11,090	-	-
Claims abandoned	203	203	753	753
Total	**75,961**	**79,275**	31,539	35,673

	Core Department and Agencies	Defra Group	Core Department and Agencies	Defra Group
Number of cases				
Cash losses	3,208	3,276	4,727	4,838
Stores losses	1	1	2	2
Administrative write-offs	-	209	-	176
Fruitless payments	2	2	7	7
Constructive losses	4	4	-	-
Claims abandoned	67	67	4	4
Total	**3,282**	**3,559**	4,740	5,027

Details of Cases over £300,000

Losses (shown in the table above)

Defra has recognised a constructive loss of £11.1 million relating to non-current assets used in the treatment of the Water and Abandoned Metal Mines. These assets were fully impaired in 2020-21 due to insufficient records being available to support their inclusion on Defra's balance sheet, with formal write-off confirmed in 2021-22.

HMRC launched an enquiry into Defra's compliance with the off-payroll working (IR35) rules in relation to contingent labour in 2019. That enquiry has found instances where contractors were incorrectly assessed as out of scope. For 2021-22, Defra accepted there was an outstanding liability of £63.2 million with HMRC. A payment of £42.6 million was made to HMRC on 30 March 2022, with the remaining balance of £20.7 million being accrued as at 31 March 2022. This liability was based on detailed calculations of tax and national insurance lost between 6 April 2017, when the rules came into force, and 31 March 2022.

Special Payments

	2021-22		2020-21	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
Value (£000)	1,179	4,390	(141)	259
Number of cases	230	245	333	351

Details of cases over £300,000

EA made a special payment of £1.2 million to settle a dispute relating to maintenance of a small section of sea defence where the shoreline is eroding. The benefit of the payment is that future obligations under a private agreement entered into by our predecessor organisations to maintain the sea defence have been extinguished with regard to the landowner in this location, where the cost benefit to maintain cannot be demonstrated under the shoreline management plan.

In 2021-22, the Marine Management Organisation (MMO) made one special payment for £1.8 million in settlement of a legal case brought against the MMO.

Defra made a payment of £0.7 million to settle a liability claim made as a result of the Department conceding a judicial review. This followed external legal advice that this was less than the expected cost of reaching a settlement in court.

Regularity of expenditure

As we move to UK Exchequer funded schemes the department will be required to monitor and estimate the levels of Fraud and Error within the schemes which in time will become increasingly material.

In the short-term Defra corporate services are planning to create a central grants hub. This will be a multi-disciplinary team to drive consistency, effectiveness and efficiency in grant making across the Defra group, covering governance, assurance and compliance, management information, counter-fraud, capability, standard processes and business partner support. Consideration is also being given as part of the Defra Transformation Programme to moving to a more consolidated operating model for delivering grants in the longer term.

Information on the estimated values of undetected irregulaties within the UK funded schemes managed by the Rural Payments Agency (RPA), for which the net expenditure is material, are reported in the RPA Annual Report and Accounts (ARA).

Fees and Charges (Audited)

Details of the material fees and charges across the Defra family are disclosed in the table below.

			2021-22
	Income	Full Cost	Surplus/ (deficit)
	£m	£m	£m
Abstraction charges (EA)	144.0	122.4	21.6
Environmental Permitting Regulations water quality (EA)	72.9	72.7	0.2

The financial objective for EA's Environment and Business charging schemes is full cost recovery taking one year with another, based on all costs including current cost depreciation and a rate of return on relevant assets. Please see EA's ARA for a full analysis of these schemes and the extent of cost recovery.

All other details regarding income from the sale of goods and services provided by the delivery bodies can be found in their respective ARAs.

Remote Contingent Liabilities included for Parliamentary Reporting and Accountability Purposes

This information has been subject to audit.

In addition to contingent liabilities reported in accordance with IAS 37, the department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

The department has the following remote contingent liabilities as at 31 March 2022. Unless otherwise stated liabilities relate to the Core department.

Quantifiable

A transfer of economic benefits is considered to be remote on the following:

- Small potential liabilities are estimated at no more than £0.4million (2020–21 £0.9 million).
- Indemnity signed by Defra, Canal & River Trust and British Waterways pension trustees in relation to the historic public sector pension liability. The potential liability is estimated at £125 million (2020–21, £125 million).

Unquantifiable

Due to the variable nature of these contingent liabilities they are classified as unquantifiable.

- Defra retains a potential pension liability in respect of the staff that transferred from Fera to Fera Science Limited under the New Fair Deal.

- In the unlikely event that the department stops funding the National Fruit Collection or relocates it to a different site, there will be an obligation to return the current site to a suitable state.

- There is an ongoing potential liability in respect of financial corrections for disallowance, which at present is uncertain and unquantifiable as a Commission audit has yet to take place.

- Environmental contamination arising from metal mines may give rise to a future remediation liability.

- There is a potential liability in relation to the minimum spend commitment in Defra’s IT delivery refresh contract with IBM. Analysis of future spend shows the likelihood of breaching the limits to be remote.

- In unlikely circumstances, there is a remote possibility that Defra would need to provide a government support package for the Thames Tideway Tunnel project.

Tamara Finkelstein   21 October 2022

Accounting Officer for the Department for Environment, Food and Rural Affairs

The Certificate of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Department of Environment, Food and Rural Affairs (the Department) and of its Departmental Group for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2021.

The financial statements comprise: the Department's and the Departmental Group's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, except for the effects of the matters described in the *Basis for the qualified opinion on the financial statements* section, the financial statements:

- give a true and fair view of the state of the Department and the Departmental Group's affairs as at 31 March 2022 and its comprehensive net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Basis for qualified opinion on the financial statements

I have qualified my opinion on the financial statements in the following respects:

I am unable to obtain sufficient appropriate evidence that the value of Property, Plant and Equipment, the tangible and intangible asset additions and Assets Under Construction (both tangible and intangible) in the statement of financial position as at 31 March 2022 are free from material misstatement due to the following matters:

- Neither the Department nor the Environment Agency has applied the Depreciated Replacement Cost method for valuing its Operational Assets as required by their financial reporting framework and instead have used modified historic cost accounting as a proxy. Note 5 of the accounts shows infrastructure assets of £3.2 billion at 31 March 2022 and of £2.8 billion at 31 March 2021. I am therefore qualifying my opinion on the 2021-22 accounts and comparative figures, in that the valuation approach adopted by the Departmental Group is not a materially accurate proxy for the measurement basis required by the financial reporting framework.
- My audit in 2020-21 identified errors and uncertainties within the Environment Agency's quinquennial revaluation of property, plant and equipment. The errors and

uncertainties impact land, buildings excluding dwellings and dwellings as presented in note 5, with the net book value of £468 million at 31 March 2022 and of £387 million at 31 March 2021. I have been unable to quantify the uncertainties because neither the Environment Agency nor the Department has been able to rectify the weaknesses in the revaluation of assets held by the Environment Agency during 2021-22.

- I have been unable to obtain sufficient evidence in respect of the existence, completeness, rights and obligations and valuation of the Assets Under Construction (tangible and intangible) balance of £613 million as at 31 March 2022 reported in notes 5 and 6. We have been unable to conclude on the level of error due to the Environment Agency and the Department taking a decision to stop providing further evidence and responses to queries to support the balances consolidated from the Environment Agency included in the financial statements.
- I have also been unable to obtain sufficient evidence in respect of the tangible and intangible additions of £332 million as at 31 March 2022, reported in notes 5 and 6. The Environment Agency and the Department took a decision to stop providing sample listings and audit evidence with regards to the additions consolidated into the Departmental Group from the Environment Agency.
- The Departmental Group's decisions to not provide all the evidence I needed to audit assets under construction balances, and tangible and intangible asset additions is a limitation imposed by management on my audit, leading me to limit the scope of my audit opinion.

My report on page 149 includes further details of the matters leading to my qualified opinion.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn Against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2022 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Department and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Department and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department or its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Department and its Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In respect solely of the limitations in receiving sufficient appropriate evidence regarding the valuation of Property, Plant and Equipment, tangible and intangible asset additions in 2021-22 and Assets Under Construction described in the *Basis for qualified opinion on the financial statements* section above:

- adequate accounting records have not been kept; and
- I have not received all of the information and explanations I require for my audit.

In all other respects, in the light of the knowledge and understanding of the Department and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines are necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing the Department and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department and its Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies, key performance indicators and performance incentives.
- Inquiring of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department and its Group's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department and its Group's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2021 and Managing Public Money;
- discussing among the engagement team including significant component audit teams, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates, and EU and UK funded agricultural payments and other grant expenditure. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I also obtained an understanding of the Department and Group's framework of authority as well as other legal and regulatory frameworks in which the Department and Group operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department and its Group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2021, employment law, pensions legislation and tax legislation, EU rules and regulations in relation to EU funded scheme expenditure, and where those laws have been transcribed into UK law following EU exit, and compliance with ring-fences prescribed by HM Treasury.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- other audit procedures responsive to the risk of fraud in scheme and grant expenditure and risk of non-compliance with the Chief Secretary to the Treasury's pay controls and the Cabinet Office control framework.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Gareth Davies

Comptroller and Auditor General

National Audit Office

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24 October 2022

The Report of the Comptroller and Auditor General to the House of Commons

Introduction

1 The Department for Environment, Food and Rural Affairs (the Department) is responsible for developing and implementing policy which safeguards the natural environment, supports the UK food and farming industry, and sustains the rural economy. The Environment Agency (EA), part of the Departmental Group, is the leading public body for protecting and improving the environment in England. EA has responsibilities for flood and coastal erosion risk management, waste management and pollution incidents, reducing industry's impact on the environment, cleaning up rivers, coastal waters and contaminated land, and improving wildlife habitats.

2 In this report I explain:

- my qualified audit opinion on the Departmental Group's financial statements in relation to the valuation of Property, Plant and Equipment, the total capital expenditure and Assets Under Construction (both tangible and intangible) in the statement of financial position as at 31 March 2022;
- the judgements in support of my unqualified opinion regarding the regularity of EU Disallowance payments made in 2021-22.

Qualification with regards to the valuation of Environment Agency property, plant and equipment consolidated into the Departmental Group

Introduction

3 I have qualified my audit opinion on the 2021-22 financial statements as I am unable to obtain sufficient appropriate evidence that the value of Property, Plant and Equipment, the total capital expenditure and Assets Under Construction (both tangible and intangible) in the statement of financial position as at 31 March 2022 are free from material misstatement.

4 At 31 March 2022 the net book value consolidated into the Departmental Group from EA of property, plant and equipment was £3.8 billion (2020-21: £3.3 billion) which included infrastructure assets of £3.2 billion (2020-21: £2.8 billion) and intangible assets of £128 million. Net book value is a valuation of an asset that reflects its original cost and any later changes to it. EA uses infrastructure assets to manage water resources, waterways and flood and coastal erosion risks. These assets typically include barriers, pumping stations and water monitoring assets, such as telemetry stations and boreholes.

5 My audit approach is designed to obtain sufficient assurance that accounts are free from material error. I planned my audit to achieve this through sample testing of account areas alongside considering and evaluating work undertaken by management to support the valuations used to underpin the accounts.

Management of non-current asset records

6 In my report, which accompanied my qualified opinion on the 2020-21 accounts, I described data quality issues in the EA's underlying asset records which impact the consolidated Departmental Group records, specifically:

- assets recorded on the fixed asset register that are not owned by EA (or the Departmental Group);
- capitalisation of expenditure that does not meet the criteria of the financial reporting framework; and
- the inclusion of assets that have been decommissioned or demolished.

7 Although these errors were not material last year, they were significant and represented a worsening of the position over time. I noted that while the Department and EA had made some attempts to cleanse its asset records, more still needed to be done and I had concerns that if unaddressed these issues could result in material error. This year's audit has been impacted by these issues and in particular the quality of the underlying project accounting records supporting the financial statement disclosures relating to assets, particularly assets under construction. I identified the following issues in my work. Some items were capitalised when they did not meet the capitalisation criteria and therefore should have been expensed. Some items related to assets that are now in use and should therefore have been reclassified from assets under construction to other asset categories within the note and in doing so it would have also impacted upon amortisation and depreciation.

8 Management decided, after considering these issues and their impacts upon the business and the financial statements, not to provide me with all the evidence I sought in relation to areas of the accounts affected by these problems. That management-imposed limitation to my audit necessarily means that I must qualify my opinion in that regard.

9 In 2019-20 and 2020-21 the Departmental Group accounts were qualified on 85 per cent of the tangible asset balance. I have further extended my qualification in 2021-22 to now include assets under construction and capital expenditure (additions) across both tangibles and intangibles. My qualification in 2021-22 now covers 97 per cent (£4.2 billion) of the tangible asset balance and 34 per cent (£128 million) of the intangible asset balance.

Impact upon my audit opinion for 2021-22

10 I have qualified my opinion for 2021-22 because I have been unable to obtain sufficient assurance that the disclosures in the Statement of Financial Position for the value of Property, Plant and Equipment, the total capital expenditure (including assets commissioned in year) and Assets Under Construction (both tangible and intangible) as at 31 March 2022 are free from material misstatement due to the following matters:

- As was the case for 2019-20 and 2020-21 the valuation basis used for infrastructure assets consolidated in the Departmental Group from EA is incorrect and I consider the impact of this could be material.
- As was the case in 2020-21, the lack of a Depreciated Replacement Cost (DRC) valuation for infrastructure assets, and errors and control issues with EA's Quinquennial review of its property, plant and equipment, impacting freehold land, dwellings and freehold buildings mean that I cannot obtain assurance that the value of any other property, plant and equipment as consolidated into the Departmental Group from EA is not materially misstated.
- I have been unable to complete my audit of assets under construction (tangible and intangible) as neither the Department nor EA provided all the evidence I needed to conclude that these assets were not materially misstated.

- I have been unable to complete my audit of in year capital expenditure and assets commissioned (tangible and intangible) as both the Department and EA decided not to provide all the evidence I needed to conclude that the split between resource and capital expenditure was not materially misstated.

11 The Department and EA's decision in relation to the provision of evidence reflected underlying issues with the system of project accounting and the quality of the information held to support the disclosures in the accounts. The Department and EA could not resolve these problems in time to achieve the Departmental Group accounts' timetable.

12 The Department and EA's decision to not provide all the evidence I needed to audit assets under construction, in year capital expenditure (asset additions) and assets commissioned is a limitation imposed by management on my audit, leading me to limit the scope of my audit opinion. This report sets out my reasons for the qualifications and progress the Department and EA has made in working to remove prior year qualifications.

Operational Assets Valuation Methodology

13 Under the HM Treasury's Financial Reporting Manual (FReM), EA must value its specialised operational assets at current value in existing use to give a true and fair position of the assets at the reporting date. The specialist nature of EA's infrastructure assets consolidated into the Departmental Group means there is no active external market to provide such a valuation. The only suitable professional valuation methodology in such cases is Depreciated Replacement Cost (DRC) which requires assets to be valued based on a modern equivalent asset. This is a specialist technique often requiring expert support.

14 DRC valuation needs periodic professional valuations with the use of appropriate indices in intervening years. In its 2019-20 annual report and accounts, the Department and EA stated in its accounting policies that it considered an alternative valuation approach known as modified historic cost accounting (MHCA) as a reasonable proxy for DRC. MHCA involves valuing these assets on a historic cost basis revalued annually using indices. I concluded in my audit of the 2019-20 annual report and accounts, that MHCA is not a materially accurate proxy for the DRC valuation required by the financial reporting framework. I therefore qualified my opinion on the 2019-20 annual report and accounts for that reason.

15 Last year I reported that the Department and EA were developing a project to carry out a full DRC valuation of its operational assets but had not made enough progress to lift my qualification for 2020-21. This project is still underway as EA is cleansing the data to ensure the asset register is complete and accurate before applying the new valuation to the c8,000 assets involved. The pilot study results were presented for audit in September 2022 with the expectation that the project will be finalised in March 2023 and has therefore not had any impact on the 2021-22 accounts. My view has not changed since 2019-20 and I am therefore qualifying my opinion on the 2021-22 accounts and comparative figures for the same reasons as I did the previous years, in that the valuation approach adopted by the Departmental Group with regards to infrastructure assets is not a materially accurate proxy required by the financial reporting framework.

Quinquennial Revaluation

16 In 2020-21 EA carried out a quinquennial review (QQR) of its freehold land, freehold buildings and dwellings. The QQR is a professional valuation which under FReM requirements is conducted at least every 5 years. It is a necessary exercise to demonstrate that assets are valued appropriately at year end.

17 My 2020-21 audit identified the following limitations in the way the QQR has been conducted:

- Neither the Department nor EA were able to provide a listing of land holdings that distinguished between the land which should be valued through the QQR and that which was infrastructure land which should be valued through DRC;
- Poor data quality of the underlying property, plant and equipment records has prevented the Department and EA from obtaining a valuation for the correct asset base, impacting the resulting value presented within the financial statements. My audit identified data quality issues including properties revalued which should not have been and properties excluded which should have been revalued.
- Errors in the application of the revaluation to EA's property, plant and equipment records consolidated into the Departmental Group, including applying revaluations to the wrong assets.

18 The issues with the QQR are heavily linked to the DRC project which aims to ensure assets are within the correct asset category and therefore valued under an appropriate valuation technique. Because of this, the Department and EA did not seek to resolve the issues with the QQR for 2021-22. These limitations mean I have been unable to obtain assurance over the value of assets covered by the QQR this year, and therefore I have limited the scope of my opinion in this respect.

Assets Under Construction

19 The Departmental Group's 2021-22 accounts show some £613 million of tangible and intangible assets under construction (AUC), of which £415 million is consolidated from EA at the 31 March 2022. AUC reflects the expenditure on assets which are not yet complete and in use (notes 5 and 6).

20 The quality of the underlying records has meant significant intervention has been necessary by EA and Departmental staff to provide sample information ready for audit. Overall, I was able to complete less than half of my planned testing covering both areas. The Department and EA informed me that having taken these difficulties into account it had decided to stop work on providing this evidence giving rise to a management-imposed limitation upon my audit. Because I cannot obtain sufficient appropriate audit evidence as to the material accuracy of the AUC disclosures, I must limit the scope of my audit opinion in this respect.

In year additions

21 The Departmental Group's 2021-22 accounts show £332 million of tangible and intangible asset additions, of this £248 million consolidated from EA (note 5 and 6). I was unable to complete any of my planned testing on these areas. As described above the quality of the underlying records has created the need for significant work by EA and Defra staff to provide sample information ready for audit. The Department and EA informed me that it had also decided not to provide this evidence and therefore I cannot obtain sufficient appropriate audit evidence as to the material accuracy of the disclosures relating to capital expenditure and assets commissioned in year.

Conclusion

22 In my opinion, the Departmental Group has not yet valued its infrastructure assets consolidated from EA in accordance with HM Treasury's financial reporting requirements set out in the FReM. I have therefore issued a qualified opinion again. My work has not identified problems with the operational management or general condition of the flood defence assets.

23 The Departmental Group is in the process of obtaining a full DRC valuation of its operational assets. The Departmental Group has also agreed to carry out a review of the data quality including a review of the completeness of the fixed asset register. I will continue to monitor progress in both areas and will assess the impact of this work on my audit certificate and report next year.

24 I have also been unable to conclude that the QQR issues identified in the prior year have been rectified due to the ongoing DRC valuation project. I recommend that EA, with support from the Department, carries out a review of the data quality and cleanse the property, plant and equipment records prior to embarking on a large revaluation exercise. I also recommend that EA develop more robust controls over the input and maintenance of data in its property, plant and equipment records.

25 I have also not received sufficient and appropriate evidence to support the intangible and tangible AUC, capital expenditure and assets commissioned in year due to neither the Department nor EA providing the audit evidence. This is a new qualification in 2021-22. Defra and EA are developing plans to address the underlying issues driving the problems EA found in providing the evidence I needed.

26 It is unusual for management to impose a limitation upon my audit and reflects the issues my audit has identified with the quality of the underlying project records upon which EA relies in producing its accounts. These will need to be resolved through the plans now being developed before Defra and EA can move to a timelier completion of the accounts. I will monitor progress on this, and I will continue to work with the Department and EA to return the accounts and audit timetable to one that supports effective parliamentary scrutiny.

Unqualified opinion with regards to EU Disallowance payments in 2021-22

Background

27 In 2021-22, the Department issued grants of £0.5 billion (2020-21 £0.9 billion) that were funded by the European Commission (the Commission) under the Common Agricultural Policy (CAP) and other EU initiatives.

28 The Common Agricultural Policy (CAP) is the European Union's (EU) framework of agricultural subsidies and rural development programmes. Although the UK left the EU on 31 January 2020 the Rural Development Programme for England payments (funded by the EU under CAP) will run until the existing multi-year agreements come to an end (last payment expected in 2023).

29 The Department is required to adhere to the CAP framework and is subject to financial penalties where it fails to do so. For as long as the Department makes payments from EU funds, the Commission has a right to audit these payments and further disallowance penalties might arise.

30 This report sets out my observations on the level of penalties incurred during 2021-22 and how this is reflected in the Department's Annual Report and Accounts. This report also explains my audit opinion on the Department's financial statements.

CAP Regulations and Disallowance

31 The CAP regulations are set by the EU following proposals made by the Commission and agreed by the European Parliament and European Council. The Department's administration of the schemes set out in the CAP regulations is subject to annual audit by the NAO on behalf of the European Commission, as well as audit work by the European Court of Auditors. The Department incurs financial penalties known as disallowance which are levied by the Commission when the audit work performed has found that it has failed to comply with the regulations.

32 Disallowance penalties are determined in the light of the Commission's audits of the relevant CAP scheme, taking into account any further evidence provided by the member states in mitigation. As this process to determine the level of penalty can take several years, penalties are not incurred in the financial year of scheme payments. The timing of the Commission's audits and their outcomes determine the level of disallowance in any given year.

Unqualified opinion on regularity – financial penalties arising from the European Commission funded scheme

33 The Department administers the Commission funding for the CAP schemes. When disallowance penalties occur, the Commission reduces its funding for the schemes and the shortfall must be met directly from UK taxpayer funds. This shortfall is a loss to the UK Exchequer, and beyond the authority provided by Parliament for the proper administration of European funding. I therefore consider the use of UK taxpayer funds to pay disallowance penalties irregular.

34 The Department reports disallowance penalties in relation to England and has explained the accounting process in Chapter 3 of their Annual Report. The Department accrues disallowance penalties in its financial statements when either the Commission confirms a penalty, or the Department decides not to contest the penalty any further. At this point, the value of disallowance is confirmed, and the irregularity therefore becomes certain. On this basis, in determining my regularity opinion, I consider the total value of accrued penalties in the year as irregular.

35 In 2021-22, the value of disallowance penalties accrued in year is £8 million which is 1.6 per cent of the £0.5 billion of scheme expenditure (2020–21: £22 million, 2.4 per cent of £0.9 billion scheme expenditure). I consider this immaterial in the context of the Department's gross expenditure of £7.2 billion. I have therefore issued an unqualified opinion on the regularity of the Department's 2021-22 financial statements.

36 The value of disallowance penalties confirmed in year can vary significantly and is dependent on internal factors including the effectiveness of the Department's control environment and external elements such as the status of Commission audits and the finalisation of their findings. The external elements can take significant time to complete and this gives rise to variability in the year-on-year value of penalties recognised.

Provisions and Contingent Liabilities for financial penalties arising from the European Commission funded scheme

37 The Department recognises a provision for the estimated liability where the Commission's audit has concluded but the Department does not agree with the conclusion reached and therefore contests the penalty. As the value of the penalty the Department would incur if it loses is known, the amount of disallowance can be quantified. The Department discloses the disallowance provision in Note 14, with a provision balance as at 31 March 2022 of £59 million (31 March 2021: £122.3 million). Details of these schemes are provided on page 66. For those amounts provided for there is no current loss to the public purse and due to the uncertainty over whether these penalties will crystallise, I do not consider them alongside confirmed penalties when forming my regularity opinion.

38 The Department also discloses a contingent liability in Note 16 in respect of Commission audits which have not yet concluded. This is appropriate as the Department cannot predict Commission findings or reliably quantify the value of any disallowance penalties until the audit has concluded. Potential liabilities in respect of Commission audits yet to take place are reported within remote contingent liability disclosures. The Department has highlighted the current status of disallowance penalties, including those schemes that remain subject to potential Commission audits and future disallowance, on pages 66-71.

CAP replacement

39 In 2020-21 the Department, through the Rural Payments Agency, launched an intermediate exchequer funded Basic Payment Scheme. This is a precursor to a range of new schemes to be implemented over the next seven years.

40 Defra's Future Farming and Countryside Programme is its main vehicle for transforming agriculture in England. It will consist of schemes targeted at enhancing the environment, protecting the countryside, improving the productivity of the farming sector and improving animal health and welfare. Central to the Department's proposals is the Environmental Land Management scheme (ELM), the primary mechanism for distributing the funding previously paid under CAP. Instead of CAP direct payments, ELM will pay farmers for undertaking actions to improve the environment. The Department still has much work to do in designing and implementing the new schemes, including how to ensure regularity of this expenditure whilst achieving the desired environmental outcomes.

41 In my value for money report, The Environment Land Management Scheme, HC: 664, 2021-22, September 2021, I reported that whilst Defra has made some progress in developing its approach to fraud and error it was behind where it needs to be. Since the publication of this report Defra have completed a fraud risk assessment for all new ELM schemes and all existing material schemes.

42 My report recommended Defra should develop detailed operational procedures against the fraud and error risks identified, and a plan to show how it will achieve and assess progress against its fraud and error objectives. Defra has accepted this recommendation and committed to implement it by November 2022. For CAP payments the European Commission requires payments to be made in accordance with a stringent set of rules. In developing the new schemes Defra will need to balance propriety of funds and scheme complexity with incentivising and securing its intended environmental outcomes.

43 I therefore welcome the commitment the Department has made in its annual report to measuring, monitoring and reporting on levels of irregularity due to fraud and error across all such schemes as the expenditure becomes more significant.

Conclusion on disallowance penalties

44 Disallowance penalties accrued in year represent a loss to the UK Exchequer and are irregular. I do not, however, consider that the value of disallowance penalties accrued in 2021-22 is material in the context of the Department's financial statements and therefore I have not qualified my audit opinion in this regard.

45 Managing disallowance continues to be a significant challenge for the Department, and successfully managing the CAP scheme to ensure it reduces the level of penalties must remain a priority. Whilst the UK left the EU on 31 January 2020, the Department will continue to make payments from EU funds under Pillar 2 of the 2014-2020 CAP until multi-year scheme agreements come to an end. Commission audits may take several years and negotiations with the Commission over penalties can also take many years to conclude. Therefore, the Department might continue to incur disallowance penalties in subsequent periods.

46 I shall continue to monitor the Department's performance in managing disallowance risk and the level of disallowance penalties confirmed going forward in order to assess the impact on my regularity opinion in subsequent periods.

Gareth Davies

Comptroller and Auditor General

National Audit Office

157–197 Buckingham Palace Road

Victoria,

London

SW1W 9SP

24 October 2022

Financial Statements

The Government Financial Reporting Manual requires that the department prepares financial statements and related disclosures in accordance with International Financial Reporting Standards. The notes to the financial statements provide additional detail to users on the accounting policies of the entity and the numbers included in the core financial statements. They are only included where additional information is material, i.e. where its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

Consolidated Statement of Comprehensive Net Expenditure (SoCNE)

For the year ended 31 March 2022

This account summarises the income and expenditure generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note/ Ref	**2021-22** Core Department and Agencies	**2021-22** Defra Group	2020-21 Core Department and Agencies	2020-21 Defra Group
		£000	**£000**	£000	£000
Revenue from contracts with customers	4.1	(168,645)	(796,242)	(127,373)	(849,535)
Other operating income	4.2	(496,968)	(691,918)	(938,990)	(1,082,581)
Total income		**(665,613)**	**(1,488,160)**	(1,066,363)	(1,932,116)
Staff costs	3.1	733,053	1,330,767	691,228	1,285,731
Other expenditure	3.1	651,065	1,803,382	713,649	1,780,619
Non cash items	3.2	480,354	973,933	(397,405)	(24,732)
Grants and subsidies	3.3	4,375,798	3,121,523	4,650,405	3,559,714
Total operating expenditure		**6,240,270**	**7,229,605**	5,657,877	6,601,332
Net operating expenditure		**5,574,657**	**5,741,445**	4,591,514	4,669,216
Net expenditure for the year		**5,574,657**	**5,741,445**	4,591,514	4,669,216
Other Comprehensive Net Expenditure					
Items that will not be reclassified to net operating expenditure					
Net (gain)/loss on					
Revaluation of PPE	SoCTE	(23,283)	(582,018)	6,218	(129,905)
Charitable funds revaluation	SoCTE	-	(20,099)	-	4,886
Revaluation of intangibles	SoCTE	(4,761)	(2,348)	(7,428)	(20,442)
Pension actuarial movements	15	7,104	(588,168)	11,213	925,673
Changes in the fair value of equity investments at fair value through OCE	SoCTE	(317)	(317)	4,469	4,469
Items that will not be reclassified to net operating costs					
Items that may be reclassified subsequently to net operating costs					
Net (gain)/loss on					
Revaluation of investments		-	(72)	-	(79)
Revaluation of hedging instruments		-	-	(1,370)	(1,370)
Total comprehensive net expenditure for the year		**5,553,400**	**4,548,423**	4,604,616	5,452,448

EU funding for the department totalling £486 million (2020–21, £925 million) is included within income totals. Further details can be found in Note 4.

Flood Re pays corporation tax. The charge included in other costs in the SoCNE was £25 million (2020–21 £27 million).

The notes on pages 168-240 form part of these accounts.

Consolidated Statement of Financial Position

As at 31 March 2022

This statement presents the financial position of Defra. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

	Note/Ref	31 March 2022 Core Department and Agencies	31 March 2022 Defra Group	31 March 2021 Core Department and Agencies	31 March 2021 Defra Group
		£000	**£000**	£000	£000
Non-current assets					
Property, plant and equipment	5.1	472,322	4,335,191	411,121	3,698,598
Right of use assets		3,585	3,585	7,201	7,201
Investment properties		632	11,513	500	7,255
Heritage assets	5.2	-	267,976	-	276,368
Agricultural assets		-	141	-	186
Intangible assets	6	220,910	373,090	168,475	325,849
Financial assets		39,058	39,831	38,785	39,442
Investment in Associate		7,769	7,769	6,670	6,670
Receivables and contract assets falling due after more than one year	11	751	3,790	773	783
Total non-current assets		**745,027**	**5,042,886**	633,525	4,362,352
Current assets					
Assets classified as held for sale		-	9,223	501	9,060
Inventories		5,396	6,772	5,167	6,479
Financial assets	11	54	660,631	9,757	525,307
Trade, other receivables and contract assets	11	391,386	553,838	610,965	792,493
Cash and cash equivalents		387,391	640,284	453,889	711,979
Total current assets		**784,227**	**1,870,748**	1,080,279	2,045,318
Total assets		**1,529,254**	**6,913,634**	1,713,804	6,407,670
Current liabilities					
Trade, other payables and contract liabilities	12	(1,024,472)	(1,654,434)	(1,123,615)	(1,680,900)
Provisions	14.2	(73,986)	(160,847)	(170,286)	(287,071)
Net pension liability		(45,789)	(45,805)	(48,155)	(48,171)
Financial liabilities	12	(3,370)	(24,470)	(572)	(22,105)
Total current liabilities		**(1,147,617)**	**(1,885,556)**	(1,342,628)	(2,038,247)
Non-current assets plus/less net current assets/liabilities		**381,637**	**5,028,078**	371,176	4,369,423
Non-current liabilities					
Provisions	14.2	(859,699)	(892,909)	(384,487)	(418,221)
Net pension liability		(191,367)	(846,921)	(234,075)	(1,309,990)
Other payables and contract liabilities	12	(25,656)	(30,590)	(133,971)	(138,405)
Financial liabilities	12	-	(412,346)	-	(387,954)
Total non-current liabilities		**(1,076,722)**	**(2,182,766)**	(752,533)	(2,254,570)
Assets less liabilities		(695,085)	2,845,312	(381,357)	2,114,853
Taxpayers' equity and other reserves					
General Fund	SoCTE	(841,689)	(91,995)	(515,678)	(280,187)
Revaluation reserve	SoCTE	146,604	2,649,371	134,321	2,144,072
Charitable funds - restricted funds	SoCTE	-	102,687	-	92,876
Charitable funds - unrestricted funds*	SoCTE	-	185,249	-	158,092
Total equity		**(695,085)**	**2,845,312**	(381,357)	2,114,853

*The unrestricted charitable funds figure includes Royal Botanic Gardens Kew (RBG Kew) and National Forest Company's (NFC) revaluation reserves totalling £130.4 million (2020–21, £107.4 million).

The notes on pages 168-240 form part of these accounts.

Tamara Finkelstein 21 October 2022

Accounting Officer for the Department for Environment, Food and Rural Affairs

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

This statement shows the changes in cash and cash equivalents of Defra during the reporting period. It shows how Defra generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to Defra's future public service delivery. Cash flows arising from financing activities include parliamentary supply and other cash flows, including borrowing.

		2021-22		2020-21	
	Note/Ref	**Core Department and Agencies**	**Defra Group**	Core Department and Agencies	Defra Group
		£000	**£000**	£000	£000
Cash flows from operating activities					
Net operating costs	SoCNE	(5,574,657)	(5,741,445)	(4,591,514)	(4,669,216)
Adjust for non cash transactions		477,843	971,493	(397,070)	(24,339)
(Increase)/decrease in trade and other receivables excluding derivatives		219,601	238,687	388,879	377,542
Less movements in receivables relating to items not passing through the SoCNE		2,005	2,005	5,763	5,763
Adjustments for derivative financial instruments		11,549	11,549	(18,528)	(18,528)
(Increase) / decrease in inventories		(229)	(293)	355	374
Increase / (decrease) in trade payables and other liabilities excluding derivatives		(207,458)	(110,322)	(290,705)	(168,198)
Less movements in payables relating to items not passing through the SoCNE		67,433	57,394	153,277	152,433
Use of provisions / pension liabilities		(110,546)	(224,995)	(100,469)	(255,014)
Net cash outflow from operating activites		**(5,114,459)**	**(4,795,927)**	(4,850,012)	(4,599,183)
Cash flows from investing activities					
Purchase of PPE, heritage and agricultural assets		(77,886)	(220,928)	(62,792)	(220,592)
Purchase of intangible assets		(74,349)	(107,536)	(23,122)	(51,692)
Purchase / repayment of financial assets		952	(147,114)	8,899	(55,501)
Proceeds of disposal of PPE, heritage and agricultural assets		112	2,333	-	3,941
Repayments from other bodies		44	-	44	-
Net cash outflow from investing activities		**(151,127)**	**(473,245)**	(76,971)	(323,844)

	Note/Ref	**2021-22** Core Department and Agencies	**2021-22** Defra Group	2020-21 Core Department and Agencies	2020-21 Defra Group
		£000	**£000**	£000	£000
Cash flows from financing activities					
From Consolidated Fund (supply): current year	SoCTE	5,210,000	5,210,000	4,769,285	4,769,285
Advances from Contingencies Fund		6,988	6,988	751	751
Repayments to Contingencies Fund		(7,739)	(7,739)	-	-
Capital element in respect of service concession arrangements and finance leases and non balance sheet PFI contracts		(7,508)	(9,122)	(8,757)	(10,113)
Funding (to) / from other bodies		(164)	(161)	15	51
Net financing		**5,201,577**	**5,199,966**	4,761,294	4,759,974
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(64,009)	(69,206)	(165,689)	(163,053)
Receipts due to the Consolidated Fund which are outside the scope of the department's activities		(2,005)	(2,005)	(5,763)	(5,763)
Payments of amounts due to the Consolidated Fund		(484)	(484)	(455)	(455)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the consolidated fund	10	(66,498)	(71,695)	(171,907)	(169,271)
Cash and cash equivalents at the beginning of the period	10	453,889	711,979	625,796	881,250
Cash and cash equivalents at the end of the period	10	**387,391**	**640,284**	453,889	711,979

The notes on pages 168-240 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

This statement shows the movement in the year on the different reserves held by Defra. The General Fund reflects financing and balances from the provision of services, i.e. it reflects the contribution from the Consolidated Fund. The revaluation reserve reflects the change in asset values that have not been recognised as income or expenditure. Other specific reserves are shown separately where there are statutory restrictions of their use. The hedging reserve recognises the effective portion of changes in the fair value of Rural Payments Agency's foreign currency derivatives that are designated and qualify as cash flow hedges. Charitable funds represent the fair value of donations, including revaluation, given to RBG Kew and NFC. Unrestricted reserves are those donations that have no restrictions on their use, or income flow.

For the year ended 31 March 2022

Defra Group

								2021-22
	Note/Ref	General Fund	Revaluation Reserve	Hedging Reserve	Taxpayers' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	Total Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2021		(280,187)	2,144,072	-	1,863,885	92,876	158,092	2,114,853
Net parliamentary funding - drawn down	SoCF	5,210,000	-	-	5,210,000	-	-	5,210,000
Net parliamentary funding - deemed		453,889	-	-	453,889	-	-	453,889
Funding (to)/ from other bodies		(161)	-	-	(161)	-	-	(161)
Net financing from the Contingencies Fund		(751)	-	-	(751)	-	-	(751)
Supply (payable) adjustment		(387,391)	-	-	(387,391)	-	-	(387,391)
CFER Income Payable to the Consolidated Fund	SOPS 4.1	(3,430)	-	-	(3,430)	-	-	(3,430)
Net operating costs for the year	SoCNE	(5,758,314)	-	-	(5,758,314)	13,378	3,491	(5,741,445)
Non-cash adjustments								
Non-cash charges- auditors' remuneration	3.2	1,165	-	-	1,165	-	-	1,165

	Note/Ref	General Fund £000	Revaluation Reserve £000	Hedging Reserve £000	Taxpayers' Equity £000	Charitable Funds - Restricted/ Endowment £000	Charitable Funds - Unrestricted £000	Total Reserves £000
								2021-22
Movement in reserves								
Recognised in other comprehensive expenditure:								
Revaluation of PPE	OCE	-	582,018	-	582,018	-	-	582,018
Charitable funds revaluation	OCE	-	-	-	-	-	20,099	20,099
Revaluation of intangibles	OCE	-	2,348	-	2,348	-	-	2,348
Revaluation of investments	OCE	-	349	-	349	-	-	349
Pension actuarial movements	OCE	588,168	-	-	588,168	-	-	588,168
Contributions in respect of unfunded benefits		5,600	-	-	5,600	-	-	5,600
Transfers between reserves		79,416	(79,416)	-	-	(3,567)	3,567	-
Transfer to General Fund - net asset transfer		1	-	-	1	-	-	1
Balance at 31 March 2022		**(91,995)**	**2,649,371**	**-**	**2,557,376**	**102,687**	**185,249**	**2,845,312**

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2021

Defra Group

								2020-21
	Note/Ref	General Fund	Revaluation Reserve	Hedging Reserve	Taxpayers' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	Total Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2020		275,463	2,098,469	(1,370)	2,372,562	86,834	164,165	2,623,561
Net parliamentary funding - drawn down	SoCF	4,769,285	-	-	4,769,285	-	-	4,769,285
Net parliamentary funding - deemed		625,796	-	-	625,796	-	-	625,796
Funding to/from other bodies		51	-	-	51	-	-	51
Net financing from the Contingencies Fund		751	-	-	751	-	-	751
Supply (payable) adjustment		(453,889)	-	-	(453,889)	-	-	(453,889)
CFER Income Payable to the Consolidated Fund	SoPS 4.1	(6,218)	-	-	(6,218)	-	-	(6,218)
Net operating costs for the year	SoCNE	(4,674,071)	-	-	(4,674,071)	6,042	(1,187)	(4,669,216)
Non cash adjustments								
Non cash charges- auditors' remuneration	3.2	1,163	-	-	1,163	-	-	1,163
Movement in reserves Recognised in other comprehensive expenditure:								
Revaluation of PPE	OCE	-	129,905	-	129,905	-	-	129,905
Charitable funds revaluation	OCE	-	-	-	-	-	(4,886)	(4,886)
Revaluation of intangibles	OCE	-	20,442	-	20,442	-	-	20,442
Revaluation of investments	OCE	-	(4,390)	-	(4,390)	-	-	(4,390)
Pension actuarial movements	OCE	(925,673)	-	-	(925,673)	-	-	(925,673)
Revaluation/ impairments - hedging reserve		-	-	(336)	(336)	-	-	(336)
Contributions in respect of unfunded benefits		6,800	-	-	6,800	-	-	6,800
Release of reserves to SoCNE		-	-	1,501	1,501	-	-	1,501
Transfers between reserves		100,354	(100,354)	-	-	-	-	-
Other movements in reserves		-	-	205	205	-	-	205
Transfer to General Fund - net asset transfer		1	-	-	1	-	-	1
Balance at 31 March 2021		(280,187)	2,144,072	-	1,863,885	92,876	158,092	2,114,853

The notes on pages 168-240 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2022

Core Department and Agencies

	Note/Ref	General Fund	Revaluation Reserve	Hedging Reserve	Taxpayers' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	Total Reserves 2021-22
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2021		(515,678)	134,321	-	(381,357)	-	-	(381,357)
Net parliamentary funding - drawn down	SoCF	5,210,000	-	-	5,210,000	-	-	5,210,000
Net parliamentary funding - deemed		453,889	-	-	453,889	-	-	453,889
Funding (to)/ from other bodies		(164)	-	-	(164)	-	-	(164)
Net financing from the Contingencies Fund		(751)	-	-	(751)	-	-	(751)
Supply (payable) adjustment		(387,391)	-	-	(387,391)	-	-	(387,391)
CFER Income Payable to the Consolidated Fund	SOPS 4.1	(3,430)	-	-	(3,430)	-	-	(3,430)
Net operating costs for the year	SoCNE	(5,574,657)	-	-	(5,574,657)	-	-	(5,574,657)
Non-cash adjustments								
Non-cash charges-auditors' remuneration	3.2	1,165	-	-	1,165	-	-	1,165
Notional recharges and other non cash items	3.2	(39,247)	-	-	(39,247)	-	-	(39,247)
Movement in reserves								
Recognised in other comprehensive expenditure:								
Revaluation of PPE	OCE	-	23,283	-	23,283	-	-	23,283
Revaluation of intangibles	OCE	-	4,761	-	4,761	-	-	4,761
Revaluation of investments	OCE	-	317	-	317	-	-	317
Pension actuarial movements	OCE	(7,104)	-	-	(7,104)	-	-	(7,104)
Contributions in respect of unfunded benefits		5,600	-	-	5,600	-	-	5,600
Transfers between reserves		16,078	(16,078)	-	-	-	-	-
Transfer to General Fund - net asset transfer		1	-	-	1	-	-	1
Balance at 31 March 2022		(841,689)	146,604	-	(695,085)	-	-	(695,085)

Consolidated Statement of Changes in Taxpayers’ Equity

For the year ended 31 March 2021

Core Department and Agencies

	Note/ Ref	General Fund	Revaluation Reserve	Hedging Reserve	Taxpayers' Equity	Charitable Funds - Restricted/ Endowment	Charitable Funds - Unrestricted	2020-21 Total Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2020		(831,300)	148,556	(1,370)	(684,114)	-	-	(684,114)
Net parliamentary funding - drawn down	SoCF	4,769,285	-	-	4,769,285	-	-	4,769,285
Net parliamentary funding - deemed		625,796	-	-	625,796	-	-	625,796
Funding to/from other bodies		15	-	-	15	-	-	15
Net financing from the Contingencies		751	-	-	751	-	-	751
Supply (payable) adjustment		(453,889)	-	-	(453,889)	-	-	(453,889)
CFER Income Payable to the Consolidated Fund	SoPS 4.1	(6,218)	-	-	(6,218)	-	-	(6,218)
Net operating costs for the year	SoCNE	(4,591,514)	-	-	(4,591,514)	-	-	(4,591,514)
Non cash adjustments								
Non cash charges- auditors' remuneration	3.2	1,163	-	-	1,163	-	-	1,163
Notional recharges and other non cash items	3.2	(36,331)	-	-	(36,331)	-	-	(36,331)
Movement in reserves								
Recognised in other comprehensive expenditure:								
Revaluation of PPE	OCE	-	(6,218)	-	(6,218)	-	-	(6,218)
Revaluation of intangibles	OCE	-	7,428	-	7,428	-	-	7,428
Revaluation of investments	OCE	-	(4,469)	-	(4,469)	-	-	(4,469)
Pension actuarial movements	OCE	(11,213)	-	-	(11,213)	-	-	(11,213)
Revaluation/ impairments - hedging reserve		-	-	(336)	(336)	-	-	(336)
Contributions in respect of unfunded benefits		6,800	-	-	6,800	-	-	6,800
Release of reserves to SoCNE		-	-	1,501	1,501	-	-	1,501
Transfers between reserves		10,976	(10,976)	-	-	-	-	-
Other movements in reserves		-	-	205	205	-	-	205
Transfer to General Fund - net asset transfer		1	-	-	1	-	-	1
Balance at 31 March 2021		(515,678)	134,321	-	(381,357)	-	-	(381,357)

The notes on pages 168-240 form part of these accounts.

Notes to the Departmental Accounts

1 Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2021–22 Government Financial Reporting Manual (FReM) issued by HM Treasury.

The accounting policies in the FReM apply International Financial Reporting Standards (IFRS), as adapted or interpreted for the public sector.

Where the FReM permits a choice of accounting policy, a judgement has been made to select the most appropriate policy to suit the particular circumstances of the department, for the purpose of giving a true and fair view. The department's accounting policies set out below have been applied consistently in dealing with items which are considered material in relation to the accounts.

1.1 Significant Judgements and Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events, and forecasts of future events and actions. Where appropriate, the relevant notes to the accounts provide further detail on estimation techniques.

Details of significant judgements and estimation techniques that management have made in the process of applying the department's accounting policies are:

- The point at which it appropriate to recognise revenue in the SOCNE is subject to judgement. Further details can be found in the following notes;
  - Basic Payment Scheme (BPS) (see Note 1.5.1),
  - Rural Development Programme for England (RDPE) expenditure (see Note 1.5.2),
  - and Note 4.2 – Income – Analysis of Operating Income.

- Determining the recognition points and measurement basis for disallowance penalties (see Note 14.3);

- Where it is expected that charging income will break even over a reasonable period of time the Environment Agency (EA) allow for accrued and deferred income, and contract assets/liabilities within Trade Payables and Receivables (see Note 1.12);

- Judgements are used to assess the expected timing for the Satisfaction of performance obligations, and determination of transaction prices per IFRS 15 (see Note 1.12);

- The classification of expenditure in the EA between property, plant and equipment and capital works expensed in year (see Note 1.15);

- Flood Re's liability arising from claims made under insurance contracts can fluctuate between years and requires an estimate of the values remaining unclaimed from events and the estimation of a provision where there is uncertainty in relation to the value (see Notes 1.15 and 1.20);

- Rural Payment Agency (RPA) use of derivative financial instruments and hedging techniques (see Notes 1.17.3 and 1.18) require assessments in relation to the timing of recognition, subsequent remeasurement at each financial year end and the calculation of any exchange rate fluctuations;

- Provisions including those for abandoned metal mines. See Note 14.2 for details of assumptions underpinning the discount rate and inflation rate used in related calculations. Note 14.4 highlights the uncertainties regarding the value and timing of insurance liabilities. Note 14.5 discusses the significant uncertainties regarding the costs and timeframe of the Abandoned Metal Mines Provision. Similarly, Note 14.6, covering the Foot and Mouth Disease (FMD) Burial Sites Provision, highlights significant uncertainties as to the time period over which conditions for managing environmental risks will continue at FMD Burial Sites.

- The valuation of Property, Plant and Equipment, including the Weybridge site occupied by APHA, requires professional valuers to make assessments which affect the value including the estimation of the assets' useful lives (see Note 1.6.1).

- The selection of appropriate indices to assist with the valuation of EA's property, plant and equipment (Note 5) and intangible assets (Note 6).

- The impairment of property, plant and equipment and intangible assets (Note 7).

- Pension liabilities (see Note 1.19 and Note 15). Independent and qualified actuaries assess the specific factors that influence the pension fund position, such as life expectancy and age of scheme members, prevailing interest and inflation rates, and projected returns on invested funds where applicable.

- IFRS 9 business model assessment and calculation of Expected Credit Losses, including the estimation of the impact of future events (see Note 9).

- The recognition of the liability relating to the reservoir operating agreements fixed payments at amortised cost under IFRS 9 (see Note 9). The liability is discounted using the Effective Interest Rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash payments through the expected life of a financial liability to the amortised cost of the financial liability. Significant judgements are made pertaining to the expected life of the liability and the expected future RPI.

1.2 Accounting Convention

These accounts have been prepared on an accruals basis under the historical cost convention, modified where materially significant to account for the revaluation of property, plant and equipment, intangible assets and certain financial assets and liabilities.

1.3 Going Concern

In common with other government departments, the future financing of Defra's liabilities is to be met by future grants of supply and the application of future income approved annually by

Parliament. Annually parliament provides approval for amounts prior to the parliamentary recess and there is no reason to believe that future approvals will not be made.

1.4 Basis of Consolidation

These accounts comprise a consolidation of the Core department, executive agencies and those other delivery bodies which fall within the departmental boundary, and transactions between entities within the consolidation are eliminated.

IFRS 10 as adapted by the FReM results in the criteria used by the Office for National Statistics (ONS) in determining control by the parent over the subsidiary; as such the departmental boundary defines the Defra group in a manner similar to the group concept under generally accepted accounting practice. Note 18 provides for a list of delivery bodies within the boundary, and the Forestry Commission (FC) is consolidated in the results for the Core department and executive agencies, and Flood Re is fully consolidated into the group results pending confirmation of ONS status.

1.5 Scheme Costs and Grants

1.5.1 Rural Payments Agency (RPA) Reported Income and Expenditure

All expenditure recognised in the RPA Accounts in 2021-22 has been UK Exchequer funded, and prior year expenditure was UK Exchequer funded for payments made for 16 October 2020 onwards, except for the reimbursement of Financial Discipline Mechanism funds relating to prior scheme years. Payments made up to 15 October 2020 were funded by the European Commission.

The accounting policies applying to both income and expenditure under Commission funded schemes, and expenditure under UK Exchequer funded schemes, are detailed below.

1.5.1.1 Rural Payments Agency (RPA) European Commission funded schemes

Where payments were made to customers on or before the 15 October 2020, or where the expenditure relates to the reimbursement of Financial Discipline Mechanism funds deducted from scheme expenditure in earlier years, these are funded by the Commission. The UK Exchequer has pre-funded these schemes and following receipt of reclaims from the Commission the surplus funds are repaid to HM Treasury.

Commission funded Basic Payment Scheme (BPS) expenditure for England is recognised by RPA when there is a present obligation to make payments to the claimants as a result of substantive processes to validate each claim against Commission rules for the schemes, and when the amount payable to each claimant is considered reliably measurable and probable.

For other European Agricultural Guarantee Fund schemes administered by RPA an accrual point has been established according to the application scheme rules and regulations, When a present obligation for payment is identified to fall on or before the Statement of Financial Position date it is shown as payable in the current year financial statements which a corresponding Commission receivable. Any element paid in advance of the accrual point is treated as a prepayment.

The impact of any foreign exchange movements between the claim date and the date of actual reimbursement by the Commission are borne by RPA and accordingly recognised in the Statement of Comprehensive Net Expenditure.

1.5.1.2 Rural Payments Agency (RPA) UK Exchequer funded schemes

With the exception of the reimbursement of the Financial Discipline Mechanism funds deducted from earlier years' scheme expenditure, payments made to customers on or after 16 October 2020 are funded directly by the UK Exchequer.

RPA recognises the expenditure relating to all UK Exchequer funded schemes when the following criteria are judged to be met:

- The claimant has fulfilled all their performance obligations in line with the applicable scheme rules and regulations; and
- The value of the claim is able to be reliably estimated by RPA.

This commonly results in expenditure being recognised on receipt of claims, however, expenditure may be recognised a later date when claims are received in advance of other underlying performance obligations being completed by the claimant.

RPA administers several schemes, principally the Fruit and Vegetables and School Milk Schemes, for all UK claimants. Where payments are made outside of England these are reclaimed from the associated devolved administrations in Scotland, Wales and Northern Ireland. RPA recognises the income when it is probable that it will receive a reimbursement from the devolved administration for scheme expenditure incurred and the amount to be received is considered reliably measurable. These conditions are deemed to be met at the point that the related scheme expenditure is recognised.

1.5.2 RDPE Scheme Income and Expenditure

Payments under RDPE are made by RPA on behalf of Defra and Forestry Commission (FC). Defra's status as managing authority for RDPE conveys the risks and rewards associated with budget responsibility and consequently RDPE expenditure and associated Commission income is recognised in the Core department. Defra delegates authority to RPA to administer certain elements of RDPE, including validation and payments of eligible claims as authorised by Natural England (NE) and RPA.

RDPE capital expenditure is generally recognised at the point the claims are received, given this is the point at which Defra is deemed to have a present obligation where the amount payable can be reliably measured. Expenditure for agri-environment scheme revenue agreements is recognised on the anniversary of the agreement start date, when it is deemed that contractual obligations have been met. Commission income is recognised at the same time as the EU element of the expenditure is recognised.

1.6 Property, Plant and Equipment

1.6.1 Recognition and Valuation

With the exception of EA's operational assets (see below) and Natural England's non operational Heritage Assets (see Note 1.8), freehold land and buildings are subject to professional valuation at no more than five yearly intervals. Due to the exceptional circumstances in 2020-21, the Natural England quinquennial valuation was delayed until 2021-22 resulting in an interval of six years since the previous valuation. These are carried out by professionally qualified independent valuers, who adhere to the principles outlined in the Royal Institution of Chartered Surveyors Red Book. The most recent valuation at the Core department was completed in March 2020 by Montagu Evans, under the guidance of a qualified director in their valuation department. This included the valuation of the Weybridge site. The next valuation at the Core department will be in March 2025. The quinquennial revaluation of EA's freehold land, including operational land and buildings was carried out in March 2021.

Land and buildings are stated at fair value, which is either depreciated replacement cost (DRC), open market value (MV) or existing use value (EUV). Non-specialised properties are stated at existing use value.

Land and property assets are revalued annually. Every five years a full inspection and valuation of Defra's property assets is conducted to assess fair value. Methodology will reflect the nature of the asset, being either MV, EUV, or DRC. This is referred to as a quinquennial review. In the intervening years an annual desktop valuation is conducted through the application of appropriate indices. An annual valuation report is produced regardless of whether the valuation is a desktop or based on inspection. As an exception, in light of additional uncertainty arising from COVID-19 and its potential impact on land and building asset values, RBG Kew's valuers have undertaken desktop valuation exercises in respect of the 2019–20 and 2020–21 accounts. A revaluation was then undertaken in 2021-22.

The last quinquennial asset valuation exercise for the Corporate Estates, including the Animal and Plant Health Agency (APHA) and administrative buildings, was carried out in March 2020 with a valuation date of 31 March 2020.

EA's land and buildings (including dwellings), except assets under construction, were revalued at 31 March 2021 by Royal Institution of Chartered Surveyors (RICS) qualified external chartered surveyors Savills and Avison Young. The valuation was on the basis of open market value for administrative land and buildings and existing use for operational land. EA's plant and machinery, vehicles, furniture and fittings, IT equipment and operational assets were revalued internally at 31 March 2022 using suitable indices.

EA uses operational assets to deliver its environmental outcomes. These assets are often relatively unique in nature and function. Typically, these assets include flood risk management works, such as barriers, pumping stations, flood risk management landholdings, and water resource assets, such as weirs, sluices, gauging stations, pipelines and tunnels, and navigation assets such as locks. The FReM requires these assets to be accounted for in the statement of financial position at their Depreciated Replacement Cost. Due to the enormous logistical and technical challenge as well as substantial expenditure that would be required to obtain replacement cost professional valuations for over 8,000 operational assets, EA uses a Modified Historic Cost method as a proxy for Depreciated Replacement Cost. This means that an appropriate annual cost inflation index is used to revalue the gross book value of these assets each year. EA is taking action to change the valuation methodology for operational assets in order to be compliant with the FReM, the non-compliance of which has resulted in a qualified audit opinion of EA's accounts. Further details can be found in EA's accounts and Annual Governance Statement.

The specialist science estate operated by APHA is valued using the depreciated replacement cost method taking into account the expected construction costs to rebuild equivalent assets.

In accordance with IFRS 13, Fair Value Measurement, non-property tangible assets are generally carried at fair value. However, where assets have short useful lives or low values, they are stated at depreciated historic cost as a proxy for fair value. Fair value for non-current assets held for their service potential is current value in existing use.
Minimum levels of capitalisation within the departmental boundary are generally in the ranges of £1,000–£10,000 although, for all land at EA, no de minimis threshold is in force. Capitalisation thresholds vary, as these are set within reference to the nature and complexity of assets and related projects at each entity.

1.6.2 Operating Leases and Lease Breaks

Defra holds operating leases with landlords for rented properties. The expense is recognised in the Statement of Comprehensive Net Expenditure (SoCNE) on a straight line basis over the length of the lease. The future commitment for the leases is shown in the Operating Lease disclosure at Note 8.2.1. Government spending controls and national property controls guidelines advise that lease breaks should be exercised upon expiry, unless a business case for retention is approved by the Minister for the Cabinet Office. Financial commitments are therefore recognised to the first break or lease end, whichever is sooner. If, however, the evidence suggests that it is unlikely individual lease breaks will be exercised, the commitment is until the end of the lease.

Where Defra hold the lease, the costs are recharged through allocation of floor space back to tenants. For bodies that are within Defra group the floor spaces are signed off by delivery body finance directors after consultation with their operational businesses, and recharged back notionally. For any other government departments and external tenants, the costs are hard charged through invoicing.

Income received from subtenants is also recognised on a straight-line basis over the term of the sub lease arrangement, with the rent received being recognised in the SoCNE for the period occupied in year.

Flood Re account for leases in accordance with IFRS 16, however, the impact on the group is immaterial and is not adjusted on consolidation (Note 1.22.1).

1.7 Assets Under Construction

Assets under construction are shown at accumulated cost with depreciation commencing when the asset is completed and brought into service. Costs are regularly reviewed to ensure only costs directly associated with bringing the asset into use are included in the balances.

1.8 Heritage Assets

A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

National Nature Reserves (NNRs) are defined as land that is held in support of our strategic outcome to support a healthy natural environment and continue to ensure that our rich biodiversity thrives across the landscape, with ecosystems and habitats resilient to climate change. Although they are open to the public for quiet recreation, they are held principally for their contribution to knowledge and culture and are classified as heritage assets.

NE has one operational heritage asset which is being held for the contribution to knowledge and culture but also used to provide other services. The remaining Heritage Assets are classified as non-operational.

NE's Heritage Assets are reported in the Statement of Financial Position (SoFP) at fair value, and are subject to professional valuation every five years, the latest being in March 2022. In between valuations, a detailed desk top review is undertaken by external valuers to ensure the valuations remain current and are in line with RICS red book guidance. Any surplus compared to the historic cost is recognised in the revaluation reserve.

Although only operational Heritage Assets have to be valued externally every five years and non-operational ones could be completed by NE's own surveyors, NE have opted to have all their Heritage Assets, both operational and non-operational, valued externally. Valuation of non-operational Heritage Assets has always proved complex due to the unique qualities of each site making it challenging to identify comparative information. As a result valuations, although compliant with RICS methodology, rely on professional judgement, knowledge of the area, status of comparable data, status of site being valued and other subjective judgements.

Royal Botanic Gardens Kew (RBG Kew) also holds heritage assets. RBG Kew has not capitalised heritage buildings and collections acquired before 2001–02, as the cost of obtaining valuations for older collections and buildings is onerous compared to the benefit to the readers of the accounts. Subsequent to 2001–02, additions for heritage land and buildings are recognised at cost and revalued every five years by external professionally qualified valuers, on the basis of either open market value for existing use or depreciated replacement cost. The last professional revaluation was carried out in March 2022, by Montagu Evans, Chartered Surveyors. Between professional revaluations, values are usually updated using indices provided by the professional valuers. Heritage collections purchased subsequent to 2001–02 are recognised at cost and are neither revalued nor depreciated but are subject to impairment review at five yearly intervals, or when circumstances dictate.

1.9 Intangible Non-Current Assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. These comprise software licences and internally developed IT software, including assets under construction.

The department holds various software licences, which were capitalised at purchase cost where this exceeded capitalisation thresholds. Such assets are revalued only where it is possible to obtain a reliable estimate of their market value.

The department's expenditure on research activities is written off to the SoCNE as incurred. Capitalisation of development costs is contingent on fulfilment of the criteria noted in IAS 38, Intangible Assets.

Internally developed computer software includes capitalisation of internal IT employee costs on projects - appropriate supporting evidence is required of both their time and their roles to meet the criteria of being directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. The department does not hold any intangible assets with an indefinite useful life.

The capitalisation threshold for the Defra family generally ranges between £2,000 and £100,000. Capitalisation thresholds vary, as these are set with reference to the nature and complexity of assets and related projects at each entity.

When fully operational in the business, internally generated computer software is stated at a proxy for fair value, which generally, if it is not income generating, is indexed depreciated replacement cost.

1.10 Depreciation and Amortisation

Depreciation and amortisation are provided using the straight line method over the estimated useful life of the asset.

Land, assets under construction, non-operational heritage assets and assets held for sale are not depreciated.

Componentisation has been adopted by certain entities within the consolidation boundary. In these instances, each component of an asset with a value deemed material to the total fair value of the asset is capitalised and depreciated separately. Where componentisation is not yet fully in place, proxy values have been estimated using the weighted average useful life method. Estimated useful lives, component values and residual values are appropriately set across the Defra group and are revised annually.

Assets are depreciated over the following timescales:

Infrastructure assets (e.g. Thames Barrier)	Up to 100 years
Freehold and leasehold buildings	Up to 80 years or remaining life of lease
Vehicles, plant, machinery and equipment	Up to 30 years
Intangible assets - Internally Developed Software	Up to 15 years
Intangible assets - Software Licenses	Up to 25 years

1.11 Impairment

Impairments are recognised when the recoverable amount of non-current assets falls below their carrying amount. An impairment review is carried out on an annual basis.

Any permanent diminution in the value of an asset due to clear consumption of economic benefit or service potential is recognised in full as an impairment loss in the SoCNE. An amount up to the value of the impairment is transferred from the revaluation reserve (to the extent that a balance exists) to the General Fund for the individual asset concerned.

Downward revaluations, resulting from changes in market value, only result in an impairment where the asset is revalued below its historical cost carrying amount. In these cases the accounting treatment is as for any other impairment, with amounts being firstly set against any accumulated balance in the revaluation reserve, and any amount in addition to this being recognised as an impairment and recorded in the SoCNE.

1.12 Income

Revenue is measured based on the consideration specified in a contract with a customer. Income from Government Grants (accounted under IAS 20: Accounting for Government Grants), insurance income and charity income are recorded as other operating income.

The group recognises revenue from contracts with customers in accordance with the five stage model set out in IFRS 15 Revenue from contracts with customers. This is a framework to establish the timing and value of revenue recognised within the accounts; revenue is either recognised ‘at a point in time’ or ‘over time’ depending on the assessment of criteria within the framework.

Significant judgements are required to assess the timing of revenue recognition based on the satisfaction of performance obligations. A performance obligation is a promise to deliver a good or service (or series of substantially the same good or service). In determining whether a performance obligation is met and whether income is recognised over time a set of criteria has been established which considers the following;

- whether any contract asset has an alternate use to Defra,
- the control of the customer over any asset created,
- whether the benefit to the customer is received and consumed simultaneously.

The transaction price is the amount that Defra expects to receive for the goods and services provided and is determined in accordance with Managing Public Money[70] and for sales of goods will be transacted at the value agreed on the invoice. Fees and Charges will be established either by the Secretary of State or by the entities Board. Defra considers the impact of any variable consideration within a contract including any significant financing component and any non-cash consideration, however, this is not generally relevant to contracts within the group.

Further details can be found in Note 4.1.

EU funding, most significantly relating to RPA scheme payments, is the biggest constituent of income. This is covered in detail in Notes 1.5.1 and 1.5.2.
Accrued income may involve a greater element of judgement, requiring management to make an estimate of the liability accruing to the department based on the information they hold at that point in time (for example, accruing for the value of work completed but not yet invoiced).

Within receivables and payables there are accrued and deferred income balances for EA’s fees and charges where there is a surplus or deficit. Charging schemes are required to break even over a reasonable period of time and judgement is required in assessing the factors

[70] https://www.gov.uk/government/publications/managing-public-money

behind whether the surplus or deficit will result in a break even position over this reasonable period.

Flood Re's insurance income is accounted through IFRS 4 (Insurance Contracts). This includes:

- Gross written premiums are earned on a pro rata basis over the term of the underlying insurance contract as a proxy to the underlying risk.
- Ceded premiums, which comprise the total premiums payable for the whole cover provided by contracts entered into in the period and are recognised on the date on which the policy incepts.
- Fee and commission income consists entirely of commissions receivable on ceded reinsurance contracts.
- Commission income varies with, and is directly related to, the underlying reinsurance contracts.

See Flood Re's ARA for more details.

1.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions, and short term investments that are cancellable on demand.

1.14 Grant-in-Aid Funding

Grant-in-aid from the Core department to non-departmental public bodies (NDPBs), both in respect of capital and revenue expenditure, is accounted for on a cash basis in the period which the payment is made. In the Core department Grant-in Aid is recognised as expenditure and within the NDPB's as funding. Grant-in-Aid is eliminated within the group account.

1.15 Expenditure

Expenditure is recognised on an accruals basis.

Accrued expenditure is recognised when the department has an unconditional obligation to pay customers, and is based on agreed amounts, contractually or by another form of mutual agreement.

Where the EA undertakes works which are capital in nature but will not itself receive direct future economic benefits (although the work will reduce national flood risk) or cannot reliably estimate the useful life of the asset or is restoring an asset to target condition the expenditure is reported as capital works expensed in year (Note 3.1). Further details can be found in EA's Annual Report and Accounts.

Gross insurance claims expenses, relating to Flood Re, are based on the estimated liability for compensation owed to contract holders. Claims include all insurance claims occurring during the year, an estimate of claims incurred but not reported and any adjustments to claims outstanding from previous years.

A significant period of time can elapse before the ultimate claims cost can be established with certainty. The ultimate liability for claims made under insurance contracts is estimated using standard actuarial techniques, based on empirical data and current assumptions. Estimation of the ultimate cost of losses resulting from catastrophic flood events is inherently difficult, due to the possible severity of catastrophe claims.

Flood Re has a high dependency on its outwards reinsurance programme. The ceded premium is recognised on the date that the policy incepts and is earned in line with the underlying risk. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are deferred to subsequent accounting periods.

As indicated above, Flood Re's insurance claim expense (and related reinsurance claim income) is related to the severity of flood events, and therefore may be subject to considerable fluctuation.

1.16 Foreign Currency Transactions

The functional and presentational currency of the department is sterling.

Transactions in foreign currencies, mainly relating to the BPS and RDPE, are translated into sterling using the appropriate exchange rate. Balances held in foreign currencies are translated at the rate of exchange at the date of the SoFP.

Exchange differences are recognised in the SoCNE in the period in which they arise, except for exchange differences on transactions entered in to hedge certain foreign currency risks (RPA only, see Note 1.12).

1.17 Financial Instruments

These comprise financial assets and financial liabilities. See Notes 9, 10, 11 and 12 for details of financial instruments.

1.17.1 Financial Assets

Financial assets are categorised according to the entity's business model for managing the asset and the assets' contractual cash flow characteristics. This could be either collecting the contractual cash flows, selling the financial assets, or both, and contractual cash flows' characteristics test (or Solely Payments of Principal and Interest (SPPI) – Test). This looks at whether cash flows are consistent with a basic loan arrangement (i.e. repayments of principal and interest on agreed dates).

The Financial Assets are then categorised as one of the three groups:

Amortised Cost

Loans and Investments are initially held at fair value plus transaction cost, then at amortised cost. Trade and other receivables are also measured at amortised cost, which is generally invoiced value, as these are generally short term in nature. Trade and other receivables includes income accruals which do not meet the definition of financial instruments.

Flood Re's short term investments with a duration of greater than three months are classified as other financial assets in Note 11. These are initially held at fair value and then measured at amortised cost using the Effective Interest Rate (EIR) Method and are subject to impairment.

Fair Value through Profit and Loss (FVTPL).

Derivative financial instruments held for trading are valued at FVTPL, with changes in fair value recorded against expenditure.

Fair Value through Other Comprehensive Income (FVOCI).

The Eco Business Fund and Land Degradation Neutrality Fund investments, forming part of the department's official development assistance spend, are classified at FVOCI, as are derivative instruments in designated hedging relationships.

1.17.2 Financial Liabilities

These comprise trade and other payables and other financial liabilities (including derivatives). They are initially recognised at fair value and are subsequently measured at amortised cost. Trade and Other Payables includes accrued expenses which do not meet the definition of financial instruments.

EA holds certain financial instrument liabilities as a result of entering into operating agreements with a number of water companies entered into at their privatisation. These liabilities are treated as perpetuities and recorded in the SoFP at amortised cost. The annual payments arising from these liabilities increase annually in line with the Retail Price Index (RPI).

Promissory Notes payable have been classified as financial liabilities measured at amortised cost. They are carried as current liabilities in the Consolidated Statement of Financial Position, and by law are payable on demand. In practice drawdown of the department's promissory notes is dependent upon the fulfilment of agreed criteria. Note 12 provides an analysis of the expected maturity profile of payments against promissory notes in future years.

Contract liabilities are measured at amortised cost, which is the invoiced amount payable.

1.17.3 Derivative Financial Instruments

RPA enters into a variety of foreign exchange forward and option contracts to manage its exposure to foreign exchange rate risk. Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each SoFP date. The resulting gain or loss is recognised in the SoCNE immediately.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset or current liability if the remaining maturity of the instrument is less than 12 months or is greater than 12 months but is expected to be realised or settled within 12 months.

1.18 Hedge Accounting

As Basic Payment Scheme expenditure is now domestically funded by the UK, designated hedge accounting ceased on 30 November 2020. Prior to 16 October 2020, the agency elected to designate certain foreign currency derivatives as cash flow hedges of the euro denominated receipts from the Commission in relation to the Basic Payment Scheme, in accordance with IFRS 9 Financial Instruments: Recognition and Measurement.

When forward contracts were used to hedge forecast transactions, RPA designated only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts were recognised in the cash flow hedge reserve within Taxpayers' Equity. The change in the forward element of the contract that related to the hedged item was recognised within Other Comprehensive Expenditure in the costs of hedging reserve within Taxpayers' Equity.

When option contracts were used to hedge forecast transactions, the agency designated only the intrinsic value of the options as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the options were recognised in the cash flow hedge reserve within Taxpayers' Equity.

The changes in the time value of the options that relate to the hedged item were recognised within Other Comprehensive Expenditure in the costs of hedging reserve within Taxpayers' Equity.

When the forecast transaction was no longer expected to occur a cumulative gain or loss and deferred costs of hedging that were reported in Taxpayers' Equity were recognised immediately in the SOCNE.

For further detail please see the RPA Accounts.

1.19 Pensions

Generally, pension benefits are provided through the Civil Service pension arrangements, full details of which can be found in the Remuneration Report.

Although the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as alpha, are unfunded defined benefit schemes, in accordance with explicit requirements in the FReM, departments, agencies and other bodies account for the schemes as if they were defined contribution plans. The expected costs of the pension schemes are recognised on a systematic and rational basis over the period during which they benefit from employees' services by payment to the schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the schemes. The PCSPS and alpha pension schemes undergo a reassessment of the contribution rates by the Government Actuary at four-yearly intervals. In respect of defined contribution schemes, the department recognises the contributions payable for the year.

Where the department is responsible for pension schemes for delivery bodies, it has fully adopted IAS 19, Employee Benefits. The department recognises a liability in respect of any deficit, being the excess of the present value of the scheme's liabilities over the value of the assets in the scheme, to the extent that the department has a legal or constructive obligation to make good the deficit in the scheme. Scheme managers/trustees are required to undertake a sensitivity analysis for each significant actuarial assumption, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. Details of this can be found in Note 15.

1.20 Provisions

The department recognises a provision where it has a present obligation as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where material, future costs have been discounted using the rates as directed by HM Treasury.

The material provisions disclosed by the department include legacy liabilities relating to abandoned metal mines and foot and mouth disease (FMD) burial sites, potential liabilities in relation to changes in IR35 legislation and Disallowance Payments to the EU, where the timing and the value is subject to uncertainty. Details of the department's policy on disallowance provisions can be found in Chapter 3.

Some of Flood Re's insurance claims liabilities are subject to uncertainty in value and details are disclosed in these accounts in the section in Note 14.4 on Flood Re Insurance Provision.

See Note 14 for full details of all material provisions, including key management judgements and disclosures around estimation uncertainty.

1.21 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the department discloses, for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote. Further information is provided in the Remote Contingent Liabilities section in Chapter 6.

Where the time value of money is material, contingent liabilities are stated at discounted amounts.

1.22 Impending Application of Newly Issued Accounting Standards Not Yet Effective

1.22.1 IFRS 16 Leases

IFRS 16 (Leases) has been effective since 1 January 2019 for the private sector. Due to the impact on government departments of COVID-19, HM Treasury agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 across central government to 1 April 2022.

When implemented, IFRS 16 will replace IAS 17 (Leases) and related International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretations Committee (SIC) interpretations. For lessees, it will remove the previous distinction between finance leases and operating leases. Under IFRS 16, all qualifying leases will recognise a right of use asset and lease liability. As a result, former operating leases will come on to the Statement of Financial Position. The Statement of Comprehensive Net Expenditure will reflect related charges for the depreciation of the right of use asset and interest on the lease liability in place of rental expenses, and continue to reflect irrecoverable VAT where applicable on any leases as HM Treasury guidance on the application of IFRS 16 Leases states this should not form part of the initial measurement of the right of use asset.

Within government, the scope of the standard has been extended to include lease-like arrangements that are not legally binding, for example Memorandum of Terms of Occupation (MOTOs). As mandated by the FReM, exemptions will be applied to short term leases with full terms or outstanding terms on transition of less than 12 months. The Defra group has set a value of £5,000 as the low value exemption threshold applied to the cost of the underlying asset when new, although may still choose to treat specific low value leases as ROU assets. Many of the land leases within the Environment Agency's operational estate will be covered by the low value exemption where they are leases for plots of land of 1-3m^2 housing equipment with very low market rents and no alternative use.

On initial application, the FReM requires government bodies to adopt the option of recognising the net cumulative effects of applying IFRS 16 as an adjustment to the opening balance of taxpayers' equity at 1 April 2022. This means that prior year comparatives will not be re-stated in Defra's 2022–23 accounts. On transition, the opening cost of right of use assets will equal lease liabilities, adjusted for any lease prepayments or accruals that exist immediately prior to 1 April 2022. Lease liabilities will be calculated as the present value of outstanding payments due under the lease. Lease and non-lease components will be separated for vehicle leases, with the non-lease element continuing to be treated as an expense in the Statement of Comprehensive Net Expenditure.

The subsequent measurement of right of use assets, and the opening measurement of peppercorn leases, will be at fair value or current value in existing use where assets are held for their service potential, unless cost represents a reasonable proxy. For land and buildings, valuations will be determined by appropriately qualified professionals in accordance with Royal Institution of Chartered Surveyors (RICS) Guidance.

The estimated impact of IFRS 16 on the Statement of Financial Position at 1 April 2022 is to increase right of use assets by £118 million for the Core department and Agencies and £187 million for Defra group. Lease liabilities increase by £115 million for the Core department and Agencies and £177 million for Defra group. Land and buildings account for approximately 92 per cent of opening balances, with the corporate estate accounting for 84 per cent of the total. Depreciation and finance charges to the Statement of Comprehensive Net Expenditure in 2022–23 are estimated at £24 million for the Core department and £40 million for the Defra group.

Lessor accounting is largely unchanged by IFRS 16 with lessors continuing to distinguish finance and operating leases. If a sub lease is judged to be a finance lease, the intermediate lessor will derecognise the right of use asset and recognise a receivable for the net investment in the finance lease equivalent to discounted future income. Defra has sub-let some properties to third parties as finance leases and expects to derecognise right of use assets of around £9 million at 1 April 2022. Occupation of the corporate estate by Defra group bodies is on a flexible shared basis with no formal occupancy agreements in place between the leaseholder (either Core department or the Environment Agency) and the occupant. Corporate estate leases will therefore be recognised in full by the leaseholder.

Accounting under IFRS 16 involves key judgements for lessees with respect to the conditions required to recognise the existence of a lease, the valuation of right of use assets and setting the lease term over which cash flows are discounted, including where leases have no fixed end date. Lessors and intermediate lessors must make judgements about the balance of risks and rewards of ownership attached to the underlying asset and the right of use asset respectively. Hindsight will be applied where judgements have been made.

Early Adoption

Flood Re and Livestock Information Ltd follow the Companies Act which requires them to implement IFRS 16 from 1 April 2019, three years ahead of the revised FReM implementation date of 1 April 2022. We have not adjusted our group consolidated accounts to remove their IFRS 16 transactions as the impact is not material (Note 1.6.2).

The Royal Botanic Gardens Kew and the National Forest Company will be consolidated into the Defra group accounts from 1 April 2022 on an IFRS 16 basis. As charities preparing accounts under FRS102 Statement of Recommended Practice, Accounting and Reporting by Charities (SORP) there is no current requirement for them to implement IFRS 16 when preparing their own accounts.

1.22.2 IFRS 17 – Insurance Contracts

This standard will apply to all types of insurance contracts and proposes an approach based on the expected present value of future cash flows to measuring insurance contract liabilities. The adoption of IFRS 17 is anticipated to have a material impact on Flood Re's financial statements and disclosures and the department will work with Flood Re to monitor the impact of adoption. IFRS 17 is effective for annual periods beginning on or after 1 January 2023, and will be effective for Flood Re from the financial year commencing 1 April 2023. The date of implementation for public sector accounts may be delayed, however, this has not yet been determined and published in the FReM.

1.23 Changes to Accounting Policies

There have been no changes to accounting policies during 2021-22.

1.24 Adoption of new and revised standards

At the date of authorisation of these financial statements no new standards have become effective and been adopted.

2 Statement of Operating Costs by Operating Segment

The segmental analysis detailed below covers the key spending areas of the Department and is aligned with the internal reporting to the Defra Board and Executive Committee. Defra reports regularly on this basis and performance is monitored against these areas. The reportable segments are split by the Core department director general structure. Where a reportable segment's revenue is 10 per cent or less of the combined revenue of all operating segments, they have been grouped together.

The basis for accounting for any transactions between reportable segments is compliant with the rest of the Annual Report and Accounts and eliminates transactions between Defra's delivery bodies.

In 2021-22 Defra received funding of £486 million from the EU, 33 per cent of its income (2020-21 £925 million, 48 per cent). The majority of this falls to the Rural Payments Agency and Core Department. This is in respect of rural development schemes for Defra and the other UK paying agencies where reimbursement, against existing budgets, can still be sought under the CAP. The decrease in income is as a result of previous CAP funding for direct aid measures, principally the Basic Payment Scheme, switching to being funded by the UK Government following the UK's departure from the EU. Of the remaining income, Defra does not rely on any one major customer.

			2021-22			**Reclassified 2020-21**
	Gross Expenditure	**Gross Income**	**Net Total**	**Gross Expenditure**	**Gross Income**	**Net Total**
	£000	£000	£000	£000	£000	£000
Director General Budget Area						
Group Corporate Services including centrally held budgets*	416,184	(26,059)	390,125	(181,087)	(9,995)	(191,082)
Environment, Rural and Marine including ALB's**	3,442,651	(843,530)	2,599,121	2,660,625	(840,654)	1,819,971
Food, Farming and Biosecurity including ALB's***	3,184,487	(618,113)	2,566,374	3,954,477	(1,080,880)	2,873,597
Other including International and Borders and Strategy and Change	186,283	(458)	185,825	167,317	(587)	166,730
Total	**7,229,605**	**(1,488,160)**	**5,741,445**	**6,601,332**	**(1,932,116)**	**4,669,216**

*Includes CAP Disallowance.
**Includes ALB's CCW, Cefas, EA, FC, Flood Re, JNCC, MMO, NE, NFC, OEP, RBG Kew and SFIA.
*** Includes ALB's AHDB, APHA, RPA and VMD.

The internal reporting to the Board and the Executive Committee has changed and therefore the format of the disclosure has changed to the new structure as detailed above.

3 Expenditure

3.1 Staff and other Costs

	2021-22		2020-21	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Staff Costs				
Wages and salaries	569,820	1,073,335	545,542	1,048,665
Social security costs	47,730	107,861	43,095	102,305
Other pension costs	115,503	149,571	102,591	134,761
Other Costs				
Rentals under operating leases	17,543	34,389	25,081	46,761
Travel, subsistence and hospitality	8,984	15,094	3,551	5,672
Research and development expenditure	56,774	88,797	25,651	52,243
Veterinarian costs	33,590	33,590	27,942	27,942
Consumables	24,739	41,528	19,341	32,588
IT service costs	172,991	236,543	113,358	173,528
Vessels	5,143	5,143	4,545	4,545
Estate management	89,448	122,060	66,914	108,413
Consultancy	26,973	41,944	24,755	36,337
Hired and contracted services	33,109	151,264	17,695	117,759
Training	6,246	15,787	7,261	13,035
Publicity, marketing and promotion	675	14,813	1,157	16,701
Office services	35,859	36,483	32,930	34,020
Early retirement	9	636	(129)	860
Exchange rate (gains)/losses - realised	(1,555)	(1,552)	3,343	3,350
NAO auditors' remuneration	393	851	368	764
Flood Re statutory audit fee	-	336	-	190
Other audit fees	2,153	2,306	2,441	2,589
Internal audit fees	1,128	1,778	1,189	1,876
Flood and coastal defence works	-	523,867	-	475,402
Operational maintenance	-	16,640	-	12,939
Fees and commissions	16,541	46,421	16,903	41,021
Reservoir operating agreements	-	57,559	-	60,142
Transport and plant costs	-	22,344	-	18,364
EU disallowance	175	175	(258)	(258)
Forestry Commission subsidy to Forestry England	18,206	18,206	24,051	24,051
Corporation tax paid by NDPBs	-	25,068	-	26,958
Flood Re reinsurance expenditure	-	66,424	-	65,780
International subscriptions	51,105	51,172	20,853	20,915
Credit losses	(66)	(2,188)	(106)	5,093
Food support as a result of COVID-19	-	-	212,122	212,122
Support to fishing industry as a result of COVID-19 and impacts of exiting the EU	-	-	9,072	9,072
Other	50,902	135,904	53,619	129,845
Total	**1,384,118**	**3,134,149**	1,404,877	3,066,350

For more detailed disclosures regarding staff costs, see the Staff Report in Chapter 5.
The Core department figures for NAO auditors' remuneration include cash fees for EA and NE.

In addition to the NAO auditors' remuneration stated above the OEP fee has subsequently increased by £4,000, this increase in cost will be reflected in the 2022-23 ARA.

3.2 Non-cash items

	2021-22		2020-21	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Depreciation	37,596	138,006	32,879	131,023
Amortisation	26,563	52,520	28,523	52,777
Profit on the disposal of PPE and financial investments	(60)	117	-	(9)
Loss on the disposal of PPE and financial investments	2,892	22,031	550	41,175
Impairment on non financial assets	8,993	58,769	12,300	57,736
Exchange rate (gains)/losses - unrealised	(10)	(49)	(2)	43
NAO auditors' remuneration	1,165	1,165	1,163	1,163
Pensions provided for in year/(written back)	3,188	234,073	6,697	121,102
Other provisions provided for/(written back) as detailed in note 14	433,129	461,156	(463,695)	(450,253)
Utilisation of capital provision	(418)	(418)	(422)	(422)
Unwinding of discount on provisions	6,563	6,563	6,928	6,928
Capital grant-in-kind	-	-	14,005	14,005
Notional recharges and other non-cash items	(39,247)	-	(36,331)	-
Total	**480,354**	**973,933**	(397,405)	(24,732)

In addition to the NAO auditors' remuneration stated above the VMD fee has subsequently increased by £9,000, this increase in cost will be reflected in the 2022-23 ARA.

3.3 Grants and subsidies

	2021-22		2020-21	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Grants and subsidies: EU				
Current grants - Basic Payment Scheme	(1,163)	(1,163)	32,652	32,652
Current grants - Rural Development Programme for England	299,588	299,588	398,606	398,606
Current grants - payments to other paying agencies	165,714	165,714	450,884	450,884
Other EU current grants	6,039	6,039	27,094	27,094
Unrealised (gains)/losses	3,697	3,697	(5,855)	(5,855)
Grants and subsidies: other				
Capital grants	220,422	436,948	54,389	180,948
Current grants - Grant-in-Aid to NDPBs	1,474,209	-	1,225,292	-
Current grants - Rural Development Programme for England	60,248	60,248	82,352	82,352
Current grants - BPS Exchequer funded	1,650,200	1,650,200	1,835,502	1,835,502
Current grants - Other RPA schemes	73,129	73,129	18,147	18,147
Current grants - Canal and Rivers Trust	52,623	52,623	52,623	52,623
Current grants - South West Water Customer Rebate Scheme	39,513	39,513	39,557	39,557
Current grants - TB Compensation Scheme	34,709	34,709	33,371	33,371
Grants to national parks	48,675	48,675	50,273	50,273
Waste Infrastructure Grants	88,634	88,634	96,994	96,994
Other grants to local authorities	69,777	77,072	48,999	56,653
Food support grants as a result of COVID-19	-	-	94,930	94,930
Other current grants & subsidies	89,784	85,897	114,595	114,983
Total	4,375,798	3,121,523	4,650,405	3,559,714

4 Income – Analysis of Operating Income

4.1 Analysis of revenue from contracts with customers

							2021-22
	Core Department	Rural Payments Agency	Other Agencies	Core Department and Agencies	Environment Agency	Other Non Departmental Public Bodies	Defra Group
	£000	£000	£000	£000	£000	£000	£000
Sales of goods and services							
Scientific advice, analysis and research	-	-	27,646	**27,646**	-	1,647	**29,293**
Animal disease surveillance and diagnostics	-	-	8,798	**8,798**	-	-	**8,798**
Veterinary research and development	-	-	727	**727**	-	-	**727**
Scientific products	-	-	1,620	**1,620**	-	-	**1,620**
Provision of corporate services (outside Defra group)	-	-	300	**300**	-	-	**300**
TB Compensation salvage receipts	10,366	-	517	**10,883**	-	-	**10,883**
Sale of other goods	18,141	-	-	**18,141**	-	4,471	**22,612**
Other services (including Defra group)	24,867	361	1,848	**27,076**	-	(41,914)	**(14,838)**
Fees, levies and charges							
Veterinary medicines authorisations	-	-	6,266	**6,266**	-	-	**6,266**
Veterinary medicine residues surveillance	-	-	3,790	**3,790**	-	-	**3,790**
Plant health inspections and seeds charges	-	-	12,718	**12,718**	-	-	**12,718**
Environmental protection charges	-	-	-	**-**	198,014	-	**198,014**
Abstraction charges	-	-	-	**-**	118,967	-	**118,967**
Flood risk levies	-	-	-	**-**	43,452	-	**43,452**
Flood Re Levy Income	-	-	-	**-**	-	180,000	**180,000**
Agriculture and horticulture levies	-	-	-	**-**	-	50,263	**50,263**
Sea Fish industry levies	-	-	-	**-**	-	7,641	**7,641**
Discretionary Advice	-	-	-	**-**	-	3,231	**3,231**
Other fees, levies and charges	-	-	2,881	**2,881**	-	1,581	**4,462**
EU income	-	-	1,436	**1,436**	-	-	**1,436**
Licences							
Fishing licence duties	-	-	-	**-**	22,028	-	**22,028**
Navigation licence income	-	-	-	**-**	9,639	-	**9,639**
Other licences	5,970	-	-	**5,970**	-	3,522	**9,492**
Other Income							
Capital grant income	-	2,220	-	**2,220**	22,435	-	**24,655**
Other grant income	-	-	-	**-**	-	46	**46**
Recoveries for secondments outside Defra group	784	-	67	**851**	-	1,853	**2,704**

	Core Department	Rural Payments Agency	Other Agencies	Core Department and Agencies	Environment Agency	Other Non Departmental Public Bodies	Defra Group
							2021-22
	£000	£000	£000	£000	£000	£000	£000
APHA income from devolved administrations	-	-	36,664	**36,664**	-	-	**36,664**
Other Income	131	-	527	**658**	-	721	**1,379**
Total income from contracts with customers	**60,259**	**2,581**	**105,805**	**168,645**	**414,535**	**213,062**	**796,242**

	Core Department	Rural Payments Agency	Other Agencies	**Core Department and Agencies**	Environment Agency	Other Non Departmental Public Bodies	**Defra Group**
							2020-21
	£000	£000	£000	**£000**	£000	£000	**£000**
Sales of goods and services							
Scientific advice, analysis and research	-	-	27,027	**27,027**	-	1,103	**28,130**
Animal disease surveillance and diagnostics	-	-	10,096	**10,096**	-	-	**10,096**
Veterinary research and development	-	-	576	**576**	-	-	**576**
Scientific products	-	-	1,463	**1,463**	-	-	**1,463**
Provision of corporate services (outside Defra group)	-	-	901	**901**	-	-	**901**
TB Compensation salvage receipts	9,607	-	616	**10,223**	-	-	**10,223**
Sale of other goods	4,772	-	-	**4,772**	-	3,142	**7,914**
Other services (including Defra group)	5,476	434	3,736	**9,646**	-	(4,283)	**5,363**
Fees, levies and charges							
Veterinary medicines authorisations	-	-	6,106	**6,106**	-	-	**6,106**
Veterinary medicine residues surveillance	-	-	3,739	**3,739**	-	-	**3,739**
Plant health inspections and seeds charges	-	-	9,588	**9,588**	-	-	**9,588**
Environmental protection charges	-	-	-	**-**	186,215	-	**186,215**
Abstraction charges	-	-	-	**-**	153,210	-	**153,210**
Flood risk levies	-	-	-	**-**	40,443	-	**40,443**
Flood Re Levy Income	-	-	-	**-**	-	180,000	**180,000**
Agriculture and horticulture levies	-	-	-	**-**	-	57,738	**57,738**
Sea Fish industry levies	-	-	-	**-**	-	6,902	**6,902**
Discretionary Advice	-	-	-	**-**	-	3,249	**3,249**
Other fees, levies and charges	-	-	2,075	**2,075**	-	945	**3,020**
EU funding							
Other EU income	-	-	907	**907**	-	5	**912**
Licences							
Fishing licence duties	-	-	-	**-**	26,333	-	**26,333**
Navigation licence income	-	-	-	**-**	9,002	-	**9,002**
Other licences	5,896	-	-	**5,896**	-	3,489	**9,385**
Other Income							
Capital grant income	-	-	-	**-**	52,250	-	**52,250**
Other grant income	-	-	-	**-**	-	865	**865**

2020-21

	Core Department	Rural Payments Agency	Other Agencies	**Core Department and Agencies**	Environment Agency	Other Non Departmental Public Bodies	**Defra Group**
	£000	£000	£000	**£000**	£000	£000	**£000**
Recoveries for secondments outside Defra group	528	-	118	**646**	-	1,447	**2,093**
APHA income from devolved administrations	-	-	33,572	**33,572**	-	-	**33,572**
Other Income	36	-	104	**140**	-	107	**247**
Total income from contracts with customers	26,315	434	100,624	**127,373**	467,453	254,709	**849,535**

Material income streams disclosed in accordance with IFRS 15 Contracts with Customers are determined as detailed in the table below

Contract Type	Note 4 Headings	Entity Impacted	Categories of Performance Obligation	Basis of Recognition
Fees and Charges (for Environmental protection and water abstraction)	Environmental Protection Charges, Abstraction Charges	EA	EA issues licences and permits and imposes levies	The licence or permit revenue is recognised at the time of application and regulatory charge recognised at the point the permit commences.
Statutory Levy	Flood Re Levy Income and Agriculture and Horticulture Levies	Flood Re AHDB	Statute requires that the bodies charge levies.	Flood Re Levy is required by statute and has no associated performance obligation and is recognised on the 1 April each year with payment received quarterly. AHDB levies are recognised over time as the levies fund services provided to levy payers throughout the year.
Flood Risk Levies	Flood Risk Levies	EA	Construction and Maintenance of new and existing flood defences	Costs and revenues are matched over time.
Capital Works Expensed in Year Income	Capital Grant Income	EA	Construction and Maintenance of new and existing flood defences	Income recognition is based on individual legally binding agreements and the completion of performance obligations.

Contract Type	Note 4 Headings	Entity Impacted	Categories of Performance Obligation	Basis of Recognition
Scientific Project Income	Scientific advice, analysis and research	APHA CEFAS	Production of a report (Performance obligations are contracted milestones within the process)	Project income is generally recognised at the completion of a contracted milestone on the basis that the contract will specify whether money spent to a determined date or deliverable can be recovered from the the customer prior to the completion of the project.
Customer Board Reports	APHA Income from Devolved Administrations	APHA	Production of a report for the Customer Boards of the Welsh Government and Scottish Government.	Costs and revenues are matched over time.

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period is:

	2021-22
	£000
Flood Risk Management Charges	65,344
Water Abstraction Charges	2,364
Environmental Protection Charges	939

Flood risk management chiefly involves the construction and maintenance of new and existing flood defences.

4.2 Analysis of Other Operating Income

	2021-22		2020-21	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Goods and services				
Veterinary research and development	378	378	-	-
Covent Garden Market income	2,030	2,030	2,030	2,030
Other services	10,554	48,689	7,775	33,086
Income payable to the consolidated fund	3,430	3,430	6,218	6,218
EU Income				
Basic Payment Scheme	(794)	(794)	32,814	32,814
Income payable to other paying agencies	166,085	166,085	450,467	450,467
Structural fund / RDPE income	299,615	299,615	398,606	398,606
Current grant income - EU	7,122	19,330	1,957	12,122
Other EU Income	(442)	(46)	26,028	29,992
Other Income				
Flood Re insurance income	-	68,410	-	51,121
Lease income	-	26	-	23
Charity income	-	59,364	-	36,622
Lottery Grant Income	-	3,654	-	2,765
Other interest receivable	-	346	-	450
Current grant income - non EU	5,941	18,117	9,018	22,188
Capital grant income - non EU	-	235	-	-
Other income	3,049	3,049	4,077	4,077
Total other operating income	**496,968**	**691,918**	938,990	1,082,581

5 Property, Plant and Equipment

5.1 Non-Current – Defra Group

	Land	Buildings Excluding Dwellings	Dwellings	Infrastructure Assets	IT	Furniture and Fittings	Plant and Machinery	Vehicles	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation										
At 1 April 2021	80,177	370,407	27,728	5,640,963	106,655	78,125	143,298	71,461	414,940	6,933,754
Additions	2,661	1,358	-	-	16,255	5,563	10,909	10,492	179,467	226,705
Transfers	(84)	4,871	-	-	6	(230)	684	-	(22,247)	(17,000)
Disposals	(40)	(1,505)	-	(36,293)	(12,892)	(5,611)	(4,498)	(5,275)	(2,334)	(68,448)
Impairment	(1,562)	(15,087)	395	(17,323)	(2)	(245)	(1)	-	(2,378)	(36,203)
Reclassifications	(1,186)	82,311	(15,395)	52,033	(444)	13,399	(1,007)	(223)	(82,947)	46,541
Reclassified as held for sale	223	213	96	(634)	-	-	-	-	-	(102)
Revaluation	10,138	33,675	1,301	1,061,604	(354)	953	5,297	2,000	-	1,114,614
At 31 March 2022	**90,327**	**476,243**	**14,125**	**6,700,350**	**109,224**	**91,954**	**154,682**	**78,455**	**484,501**	**8,199,861**
Depreciation										
At 1 April 2021	-	78,536	12,697	2,884,043	67,194	51,093	92,354	49,239	-	3,235,156
Charges in year	-	15,292	809	70,834	17,755	6,910	10,807	8,723	-	131,130
Transfers	-	(151)	-	-	-	(231)	(1,189)	-	-	(1,571)
Disposals	-	(464)	(6)	(22,470)	(11,075)	(5,613)	(3,880)	(4,751)	-	(48,259)
Impairment	-	147	-	(295)	67	575	262	-	-	756
Reclassifications	-	9,101	(5,070)	(6,645)	(193)	3,786	(978)	-	-	1
Revaluation	-	2,373	(940)	541,825	(44)	1,389	2,872	(18)	-	547,457
At 31 March 2022	**-**	**104,834**	**7,490**	**3,467,292**	**73,704**	**57,909**	**100,248**	**53,193**	**-**	**3,864,670**
Net book value 31 March 2022	**90,327**	**371,409**	**6,635**	**3,233,058**	**35,520**	**34,045**	**54,434**	**25,262**	**484,501**	**4,335,191**
Net book value 31 March 2021	80,177	291,871	15,031	2,756,920	39,461	27,032	50,944	22,222	414,940	3,698,598
Assets financing										
Owned	90,327	370,696	6,635	3,233,058	12,717	34,045	54,434	25,262	484,501	4,311,675
Finance leased	-	713	-	-	22,803	-	-	-	-	23,516
Net book value 31 March 2022	**90,327**	**371,409**	**6,635**	**3,233,058**	**35,520**	**34,045**	**54,434**	**25,262**	**484,501**	**4,335,191**
Of which:										
Core department and agencies	31,830	259,865	-	-	25,083	17,219	23,093	357	114,875	472,322
NDPBs	58,497	111,544	6,635	3,233,058	10,437	16,826	31,341	24,905	369,626	3,862,869
Total	**90,327**	**371,409**	**6,635**	**3,233,058**	**35,520**	**34,045**	**54,434**	**25,262**	**484,501**	**4,335,191**

Plant and machinery includes vessels owned by Cefas with a net book value of £5.8 million (2020-21, £6.2 million). Infrastructure assets include flood defences owned by EA, including the Thames Barrier with a net book value of £1,387 million (2020–21, £1,183 million). Additions include a non-cash element represented by payables and transfers.

	Land	Buildings Excluding Dwellings	Dwellings	Infrastructure Assets	IT	Furniture and Fittings	Plant and Machinery	Vehicles	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation										
At 1 April 2020	87,498	388,926	35,966	5,500,526	116,941	81,914	126,730	66,741	307,311	6,712,553
Additions	1,553	2,249	-	-	24,222	757	22,151	1,773	179,152	231,857
Transfers	1	706	-	-	1	-	1,781	-	(3,756)	(1,267)
Disposals	(4,739)	(23,662)	(1,255)	(84,762)	(33,429)	(7,154)	(5,432)	(1,796)	-	(162,229)
Impairment	(6,209)	(1,200)	(1,039)	(33,587)	(4,342)	(146)	(11,066)	(68)	(2,805)	(60,462)
Reclassifications	(746)	(456)	-	62,016	1,686	(2,329)	711	(114)	(64,962)	(4,194)
Reclassified as held for sale	828	1,129	18	1,434	-	-	-	-	-	3,409
Revaluation	1,991	2,715	(5,962)	195,336	1,576	5,083	8,423	4,925	-	214,087
At 31 March 2021	80,177	370,407	27,728	5,640,963	106,655	78,125	143,298	71,461	414,940	6,933,754
Depreciation										
At 1 April 2020	-	69,948	12,472	2,782,002	85,889	51,408	85,216	44,164	-	3,131,099
Charges in year	-	16,283	896	64,063	16,669	7,299	13,594	7,934	-	126,738
Transfers	-	(1)	-	-	1	(2)	-	-	-	(2)
Disposals	-	(6,360)	(631)	(53,291)	(32,730)	(7,115)	(5,372)	(1,653)	-	(107,152)
Impairment	-	19	-	(2)	(2,864)	(53)	(86)	(50)	-	(3,036)
Reclassifications	-	(751)	-	2,695	-	(1,495)	(1,304)	(23)	-	(878)
Revaluation	-	(602)	(40)	88,576	229	1,051	306	(1,133)	-	88,387
At 31 March 2021	-	78,536	12,697	2,884,043	67,194	51,093	92,354	49,239	-	3,235,156
Net book value 31 March 2021	80,177	291,871	15,031	2,756,920	39,461	27,032	50,944	22,222	414,940	3,698,598
Net book value 31 March 2020	87,498	318,978	23,494	2,718,524	31,052	30,506	41,514	22,577	307,311	3,581,454
Assets financing										
Owned	80,177	290,207	15,031	2,756,920	23,155	27,032	50,902	22,222	414,940	3,680,586
Finance leased	-	1,664	-	-	16,306	-	42	-	-	18,012
Net book value 31 March 2021	80,177	291,871	15,031	2,756,920	39,461	27,032	50,944	22,222	414,940	3,698,598
Of which:										
Core department and agencies	30,693	248,997	-	-	25,322	17,270	19,814	236	68,789	411,121
NDPBs	49,484	42,874	15,031	2,756,920	14,139	9,762	31,130	21,986	346,151	3,287,477
Total	80,177	291,871	15,031	2,756,920	39,461	27,032	50,944	22,222	414,940	3,698,598

5.2 Heritage Assets

A heritage asset is a tangible asset with historical, artistic, scientific, chronological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Heritage assets are held by both NE and RBG Kew. NE's heritage assets comprise NNR, whilst RBG Kew's heritage assets comprise land and buildings and collections. Further details regarding the stewardship functions relating to these heritage assets can be found in their respective ARAs.

Defra Group

			2021-22			2020-21
	Operational	**Non-Operational**	**Total**	Operational	Non-Operational	Total
	£000	**£000**	**£000**	£000	£000	£000
Valuation						
At 1 April	204,712	71,655	276,367	211,854	64,143	275,997
Additions	9,351	1,745	11,096	5,678	2,900	8,578
Transfers	-	-	-	-	13	13
Disposals	(638)	-	(638)	(3,864)	-	(3,864)
Impairment	-	297	297	-	(205)	(205)
Reclassifications	(50,870)	742	(50,128)	-	562	562
Revaluation	13,331	18,307	31,638	(8,956)	4,242	(4,714)
At 31 March	175,886	92,746	268,632	204,712	71,655	276,367
Depreciation						
At 1 April	(1)	-	(1)	-	-	-
Charged in year	3,185	-	3,185	3,289	-	3,289
Disposals	(11)	-	(11)	(167)	-	(167)
Impairment	656	-	656	-	-	-
Revaluation	(3,173)	-	(3,173)	(3,123)	-	(3,123)
At 31 March	**656**	**-**	**656**	(1)	-	(1)
Net book value at 31 March	**175,230**	**92,746**	**267,976**	204,713	71,655	276,368
Net book value at 1 April	204,713	71,655	276,368	211,854	64,143	275,997
Assets financing						
Owned	175,230	92,746	267,976	204,713	71,655	276,368
Net book value 31 March	**175,230**	**92,746**	**267,976**	204,713	71,655	276,368
Of which:						
NDPBs	175,230	92,746	267,976	204,713	71,655	276,368
Total	**175,230**	**92,746**	**267,976**	204,713	71,655	276,368

5.3 Cash Additions

Cash additions (adjusted for capital accruals) for property, plant and equipment, heritage assets and agricultural assets amount to £221 million (2020–21, £221 million) as per the Consolidated Statement of Cash Flows (SoCF).

6 Intangible Assets

Defra Group

	2021-22				2020-21			
	Internally Developed Software	**Software Licences**	**IT Assets Under Construction**	**Total**	Internally Developed Software	Software Licences	IT Assets Under Construction	Total
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Cost or valuation								
At 1 April	644,476	120,362	78,103	842,941	602,693	122,159	121,705	846,557
Additions	1,219	10,639	93,215	105,073	2,453	3,314	42,512	48,279
Disposals	(51,382)	(23,929)	-	(75,311)	(73,743)	(8,773)	-	(82,516)
Impairments	(91)	(6)	(21,001)	(21,098)	(13)	(80)	(44)	(137)
Transfers	8,865	2,384	5,470	16,719	41,947	-	(40,794)	1,153
Reclassifications	27,858	83	(27,548)	393	47,390	640	(45,276)	2,754
Revaluation	9,606	(1,343)	-	8,263	23,749	3,102	-	26,851
At 31 March	**640,551**	**108,190**	**128,239**	**876,980**	644,476	120,362	78,103	842,941
Amortisation								
At 1 April	437,425	79,667	-	517,092	457,546	82,538	-	540,084
Charged in year	46,116	6,404	-	52,520	45,175	7,602	-	52,777
Disposals	(48,366)	(23,280)	-	(71,646)	(73,459)	(8,719)	-	(82,178)
Impairments	(2)	-	-	(2)	-	-	-	-
Transfers	-	11	-	11	-	-	-	-
Revaluation	6,547	(632)	-	5,915	8,163	(1,754)	-	6,409
At 31 March	**441,720**	**62,170**	**-**	**503,890**	437,425	79,667	-	517,092
Net book value at 31 March	**198,831**	**46,020**	**128,239**	**373,090**	207,051	40,695	78,103	325,849
Net book value at 1 April	207,051	40,695	78,103	325,849	145,147	39,621	121,705	306,473
Assets financing								
Owned	198,831	45,965	128,239	373,035	207,051	40,602	78,103	325,756
Finance leased	-	55	-	55	-	93	-	93
Net book value 31 March	**198,831**	**46,020**	**128,239**	**373,090**	207,051	40,695	78,103	325,849
Of which:								
Core department and agencies	140,554	1,972	78,384	220,910	151,393	1,035	16,047	168,475
NDPBs	58,277	44,048	49,855	152,180	55,658	39,660	62,056	157,374
Total	**198,831**	**46,020**	**128,239**	**373,090**	207,051	40,695	78,103	325,849

The effective date of revaluation was 31 March 2022.

The net book value for internally developed software includes the following.

- Common Agricultural Policy (CAP) scheme payment assets held by RPA for the delivery of UK funded future farming scheme payments. At the 31 March 2022, these intangible assets have a net book value of £42.2 million with six years remaining amortised life ending 31 March 2028.

- The difference between the revalued carrying amount and the carrying amount that would have arisen under the historic cost model is not material.

Cash additions (adjusted for capital accruals) shown in the SoCF amount to £108 million (2020–21, £52 million).

7 Impairments

		2021-22		2020-21	
	Note	**Core Department and Agencies**	**Defra Group**	Core Department and Agencies	Defra Group
		£000	**£000**	£000	£000
PPE - including investment properties		8,716	37,675	12,287	57,619
Intangibles		277	21,096	13	137
Investments		-	(2)	-	(20)
Total impairment charge for the year	3	**8,993**	**58,769**	12,300	57,736

The impairment table includes significant impairments as follows; EA £42.5 million (2020–21 £45.3 million), APHA £8.5 million and NE £4.9 million, with EA and NE reported in the Marine, Natural Environment and Rural operating segment and APHA in Food, Farming, Animal and Plant Health operating segment. In 2020–21, the Core department reported £12.9 million which was recorded in the Core department operating segment, and the EA £45.3 million was reported within the EA Operating Segment.

EA's annual review exercise was carried out which looked at assets with signs of reduced service potential below the carrying value due to damage, obsolescence or aborted capital projects which included assets under construction impairment of £2.4m for property, plant and equipment and £20.7m for intangible assets. Other Asset categories affected by impairment were operational assets £16.8 million, freehold land £1 million and freehold buildings £1.6 million.

APHA's net impairment of £8.5 million comprises £6.6 million of impairment reversals and £15.1 million of downward revaluations, which includes two buildings planned for demolition as part the Weybridge development impaired by £6.6 million, one building impaired by £6.7 million as it no longer has laboratory capabilities and also a writedown of £1.8 million of capital costs transferred from Defra Estates exceeding the valuation of a building.

NE includes net revaluation and impairment costs of £5.4 million resulting from the quinquennial review of NE's Land and Buildings assets at the year-end undertaken by external valuers

8 Financial Commitments

8.1 Capital Commitments

Defra Group

	2021-22	2020-21
	£000	£000
Contracted capital commitments at 31 March for which no provision has been made:		
PPE	86,585	84,947
Intangible assets	4,997	11,895
Total	**91,582**	96,842
Of which:		
Core department and agencies	35,217	38,919
NDPBs	56,365	57,923
Total	**91,582**	96,842

8.2 Commitments under Leases

8.2.1 Operating Leases

The total future minimum lease payments under operating leases are given in the table below.

		2021-22		2020-21
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Land and Buildings				
Not later than one year	14,871	26,373	22,553	36,117
Later than one year and not later than five years	22,249	45,699	74,934	107,451
Later than five years	9,238	25,428	38,707	62,668
Total	**46,358**	**97,500**	136,194	206,236
Other				
Not later than one year	1,106	5,997	906	11,098
Later than one year and not later than five years	1,009	4,283	816	7,933
Total	**2,115**	**10,280**	1,722	19,031

8.2.2 Finance leases

The total future minimum lease payments under finance leases are given in the table below.

	2021-22		2020-21	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Buildings				
Not later than one year	-	756	-	930
Later than one year and not later than five years	-	-	-	756
Total	**-**	**756**	-	1,686
Other				
Not later than one year	9,878	10,398	5,717	6,087
Later than one year and not later than five years	9,614	11,084	7,962	8,074
Later than five years	-	88	-	-
Total	19,492	21,570	13,679	14,161
Less: Interest element	(1,058)	(1,062)	(1,177)	(1,187)
Present value	**18,434**	**20,508**	12,502	12,974

8.2.3 Right of use Assets - Service Concession Arrangements

The total future minimum lease payments under service concession arrangements are given in the table below.

	2021-22		2020-21	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Not later than one year	249	249	492	492
Later than one year and not later than five years	-	-	223	223
Total	**249**	**249**	**715**	**715**
Less: Interest element	(8)	(8)	(46)	(46)
Present value	**241**	**241**	669	669

8.3 Other Financial Commitments

The department has entered into non-cancellable contracts (which are not leases or other service concession arrangements). The payments to which the department is committed are as follows:

	2021-22		2020-21	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Not later than one year	368,083	403,377	327,925	370,147
Later than one year and not later than five years	706,044	714,832	798,991	828,056
Later than five years	827,126	827,134	960,887	960,887
Total	**1,901,253**	**1,945,343**	2,087,803	2,159,090

The Core department has agreements with local authorities on 24 Waste Infrastructure Grant Projects that are receiving grant payments. Defra will continue to support these projects while they meet the terms of their agreement with Defra. Future commitments are £1,339 million (2020–21 £1,428 million). All projects are now in receipt of grant and no further agreements are planned.

The Canal & River Trust grant is committed until 31 March 2027. A review will conclude in 2022 whether a new grant will be agreed from April 2027. The value of the remaining five year commitment from 2022-23 to 2026-27 is £263 million (2021–22 to 2026-27 was £316 million).

£157 million (2020–21 £207 million) relating to service contracts for information technology.

Within the other financial commitments disclosure, £63 million (2020–21, £90 million) relates to facilities management costs associated with the occupation of buildings that are either owned or leased by Defra or specialised properties held on executive agencies' SoFPs.

9 Financial Instruments and Risk

IFRS requires disclosures in the financial statements that enable users to evaluate the significance of financial instruments to the financial position and performance, and the nature and extent of risks arising from financial instruments to which Defra is exposed during the year and at the financial year end, and how those risks are being managed.

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the department's expected purchase and usage requirements and the department is therefore exposed to little credit, liquidity or market risk, except where detailed below.

		2021-22		2020-21
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Financial Assets				
Financial assets measured at amortised cost				
Loans and investments	530	1,303	1,526	2,183
Flood Re Short Term Deposits	-	645,700	-	515,550
Flood Re HM Treasury Gilts	-	17,916	-	-
Cash and cash equivalents	387,391	640,284	453,889	711,979
Financial assets measured at fair value through profit or loss (FVPL)				
Derivative instruments classified as held for trading	15	15	8,766	8,766
Financial assets measured at fair value through other comprehensive income (FVOCI)				
ECO Business Fund	30,220	30,220	30,220	30,220
LDN Fund	8,347	8,347	8,030	8,030
Total	**426,503**	**1,343,785**	502,431	1,276,728

	2021-22		2020-21	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Financial Liabilities				
EA reservoir agreement	-	(433,446)	-	(409,487)
Financial liabilities measured at fair value through profit and loss (FVPL)				
Derivative instruments classified as held for trading	(3,370)	(3,370)	(572)	(572)
Total	**(3,370)**	**(436,816)**	(572)	(410,059)

Other receivables and other payables are disclosed in Notes 11 and 12 respectively. These financial instruments are simple in nature, and carried at amortised cost, which is deemed to be a reasonable approximation of their fair value. Notes 11 and 12 also include non-financial instrument balances relating to taxation, accruals and prepayments. Flood Re's short term investments with a duration of greater than three months are classified as other financial assets in the receivables note, therefore these short term deposits are shown separately from cash and cash equivalents within Note 11.

The department holds a 25 per cent shareholding in Fera Science Limited (FSL), with the remaining 75 per cent held by Capita. The investment in FSL is accounted for as an Investment in Associate, which is outside the scope of IFRS 9 and is therefore excluded from the above table.

Those financial instruments measured at fair value are classed under IFRS 13 as either level one or level two inputs, with no unobservable inputs being relevant. Financial assets measured at amortised cost (which is generally invoiced value) are usually short term in nature. Accordingly, their fair value is not materially different from their carrying value.

The RPA has financial guarantee contracts in the form of non-cash guarantees totalling £0.452 billion as at 31 March 2022. (£1.766 billion, 31 March 2021). Please see RPA accounts for more details.

The contractual liability relating to the return on asset component payable to water companies under Reservoir Operating Agreements by EA is accounted for as a financial liability. The cash payments relating to these financial liabilities are recoverable under legislation through water resources abstraction licences. Water companies who receive payments for operating reservoirs also pay the majority of the charges for water abstraction. Increases in the liability as a result of accounting treatment (i.e. the element of the liability that will not result in a cash payment) have been approved by HM Treasury as being non-recoverable from charge payers. The payments for a return on investment in the reservoir assets are indexed upwardly annually based on the RPI and are payable in perpetuity in line with the agreements negotiated on privatisation. Further details can be found in EA's accounts.

Significant Estimates and Judgements (Financial Assets)

Business model assessment

With respect to trade and other receivables the business model of Defra is chiefly to collect payments of principal from customers. This also includes receivables from the EU in respect of money owed for schemes processed. Also, the hold to collect and SPPI test, which requires that the contractual cash flows relating to financial assets are solely payments of principal and interest on the principal amounts outstanding (i.e. cash flows that are consistent with a basic lending arrangement), is assessed as being passed. Therefore, Defra records the receivables at amortised cost which, for receivables with no financing component, is the invoiced amount.

For the Eco Business Fund and the Land Degradation Neutrality (LDN) fund, the shares are neither classified as hold to collect nor hold to collect and sell, so by default would be classified at FVTPL. However, under the provisions of IFRS 9, Defra has made an irrevocable election at initial recognition to present subsequent changes in fair value in other comprehensive income. This is appropriate, given that the department's incentive is to bolster the fund and support its initiatives, with any dividends being reinvested, and not to invest for profit.

Derivative financial assets fall outside of this assessment.

Expected credit losses

Receivables that are not due from other public bodies are grouped together for the purpose of assessing the lifetime Expected Credit Loss. In general, Defra's customers tend to be other public sector entities, to which no real prospect of default applies.

For trade receivables with no significant financing components, IFRS 9 allows an entity to use a simplified method for calculating expected losses using historical default rates over the expected life of the trade receivables and adjusting for forward-looking estimates. Defra's receivables tend to be short term in nature (for example, trade receivables), and any longer term elements are not subject to financing components. Therefore the majority of receivables are shown net of expected credit loss using the simplified method. Forward-looking estimates are inherently difficult given the current pace of political and economic developments.

Defra has created a provision matrix for receivables, which gives the latest estimated lifetime Expected Credit Loss for each stream. This is based on the department's experience of credit losses over the past few financial years, updated for any known future credit issues. The greatest impact across the Defra group is at EA, who have based their estimate on their historic experience of credit losses by charge scheme over the past four financial years, updated for any known future credit issues. While the pandemic was expected to increase credit losses, cash collection rates actually improved and so the adjustment made to increase the expected credit loss for pandemic impacts has been removed. There has not been a material change in the expected credit losses for any charge scheme.

9.1 Categories of Financial Instruments

Details of financial instruments held by the department are included in Notes 9, 10, 11 and 12 (non-financial instrument balances relating to taxation and prepayments are also included in these notes). Further details are given below only where the risks are significant. For further information on financial instruments see RPA's, EA's and Flood Re's ARAs.

9.2 Exposure to Risk

9.2.1 Credit Risk

A significant proportion of the department's customers and counterparties are other public sector organisations. Minimal credit risk arises from these organisations.

For those customers and counterparties that are not public sector organisations the department has policies and procedures in place to ensure credit risk is kept to a minimum. The department is not exposed to material credit risk.

9.2.2 Liquidity Risk

Excluding RPA, there is no significant exposure to liquidity risk, as the department's net resource outturn is financed through resources voted annually by Parliament.

RPA does not undertake borrowing of funds other than from HM Treasury. Such borrowing, arising from short term in-year fluctuations in expenditure, if required, would be affected by Defra drawing monies from HM Treasury's Contingencies Fund on behalf of RPA. This facility is the subject of a formal standing arrangement agreed by HM Treasury. Drawings are normally repayable within the financial year.

9.2.3 Market Risk – Foreign Currency Risk

Excluding RPA, there is no significant foreign currency risk.

RPA's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. RPA enters into forward foreign exchange contracts to manage its exposure to foreign currency risk relating to euro denominated receipts from the Commission for the BPS and Rural Development Programme scheme expenditure.

From January 2003, in accordance with Commission Regulation (EC) No.1997/2002 (as amended), non-eurozone member states, such as the UK, are reimbursed by the Commission in euros. However, the majority of distributions by RPA are paid in sterling, which creates an exposure to gains or losses from fluctuations in foreign exchange rates between the euro and sterling. RPA has managed its exposure to this risk through the purchase of forward foreign currency contracts.

The carrying amounts of RPA's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	31 March 2022		31 March 2021	
	Assets	**Liabilities**	Assets	Liabilities
	£000	**£000**	£000	£000
Euro denominated	**183,125**	**31,378**	377,181	126,656

The following table details RPA's, and therefore the department's, sensitivity to a 10 per cent increase and decrease in sterling against the euro.

Impact of Movement in Euro/Sterling rate

	Sterling Appreciates by 10%		Sterling Depreciates by 10%	
	31 March 2022	31 March 2021	**31 March 2022**	31 March 2021
	£000	£000	**£000**	£000
(Increase)/decrease in Net operating cost[1]	**(15,177)**	(25,053)	**15,177**	25,053
Derivative instruments				
(Increase)/decrease in Net operating cost[2]	**19,004**	27,029	**(19,004)**	(27,029)

9.2.4 Market Risk – Inflation

EA is exposed to the risk of changes in the rate of inflation as a result of the reservoir operating agreements. The Retail Price Index has fluctuated significantly over the life of these financial liabilities. This is a macroeconomic risk that EA cannot manage in any way. However, EA is able to recover the full cash cost of reservoir operating agreements through its charges on water abstraction.

9.2.5 Market Risk – Investments

As at 31 March 2022, the department has £47.6 million in investments (2020-21 £46.1 million), £30.2 million of this is invested in the Eco-Business Fund, £8.3 million in the Land Degradation Neutrality (LDN) Fund and the majority of the remainder is a shareholding in Fera Science Limited.

9.3 Exposure to Insurance Contract Risk

The risks described below are attributable to Flood Re, which is consolidated into the departmental accounting boundary.

9.3.1 Credit Risk

Flood Re defines counterparty credit risk as the risk of not recovering money owed to Flood Re by third parties. Flood Re's maximum exposure to credit risk is the gross carrying value of its levy receivables, reinsurance premium receivables, reinsurance recoveries, trade and other receivables, debt instruments at fair value through other comprehensive income and cash and short-term deposits.

Flood Re uses issuer credit ratings provided by external credit rating agencies to monitor the ongoing creditworthiness of its counterparties together with other publicly available data and market information.

Ceded reinsurance arrangements do not relieve Flood Re from its obligations to policy holders. Reinsurance is only placed with counterparties that have a minimum credit rating of A (S&P equivalent) or provide alternative collateralisation as a credit risk mitigant. Flood Re's Credit Risk Appetite Statements set out the maximum single counterparty exposure aligned to their credit ratings.

Insurance Risk

Premium risk

Flood Re is exposed to premium risk, which is defined as the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing assumptions. The premium Flood Re charges is not reflective of the underlying risk that Flood Re assumes. Flood Re's principal objective is to enable the continued availability of affordable flood cover for households at risk of flooding. Accordingly, Flood Re's premium risk strategy is to charge insurers a subsidised fixed rate that is set according to the council tax band associated with the insured property.

The Company expects that assumed premium will not be sufficient to cover the estimated mean cost of claims. The cost of the subsidy provided through the premium charged is met by a levy raised from all insurers writing home insurance in the UK. The levy for the first six years of the scheme is set at £180 million a year, with this shifting to £135 million for the next three years.

Reserve risk

Reserve risk is defined as the risk of loss or of adverse change in the value of insurance liabilities due to the actual future costs of claims differing from expectations based on reserving assumptions. This is influenced by the frequency of claims, the severity of claims, the timing of actual claims payments and the development of the claims over a period of time.

Flood Re monitors flood risk exposure on a per risk basis and on an aggregate sum insured basis and performs exposure modelling on at least a quarterly basis or on the occurrence of an event.

Sensitivity

Flood Re uses scenario analysis to illustrate the potential financial impact of assumptions varying from expectations where there is limited historical data.

Catastrophe risk

Flood Re's most significant insurance risk exposure is to losses arising from low frequency, high severity catastrophe flood events. A catastrophe flood is defined by Flood Re as a UK flood that:

- impacts more than 1,000 properties in the UK; or

- is expected to have claims costs in excess of £5 million.

Catastrophe loss events may result in a high level of volatility in the financial results of Flood Re.

During the year ended 31 March 2022, Flood Re classified and reserved for flash floods in London in July 2021 as a catastrophe loss event.

During the year ended 31 March 2021, Flood Re classified and reserved for December (Storm Bella) and January (Storm Christoph) flooding as catastrophe loss events.
Flood Re uses risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions used in these models are unreliable or that claims will be greater than the model would suggest.

Risk Mitigation

Flood Re purchases reinsurance as part of its overall risk mitigation programme. Reinsurance ceded is Flood Re's primary mechanism for managing and mitigating insurance risk.

The Flood Re Scheme document establishes the requirement for Flood Re to set an annual aggregate loss amount (liability limit). The scheme liability limit for the year ended 31 March 2022 was £2,286 million (2021: £2,273 million). Each financial year the Liability Limit is adjusted for the increase or decrease in the Consumer Price Index (CPI) in the prior calendar year. Subject to these adjustments, the Liability Limit is set for a period of three years. If claims were to exceed the Liability Limit, relevant insurers would continue to be liable to policyholders in accordance with the terms of the insurance policy sold.

Flood Re requires that its outwards reinsurance protections match the liability limit and has purchased an extensive reinsurance programme to meet this need. In addition, Flood Re protects itself from an annual accounting loss of £100 million.

9.3.2 Liquidity

Flood Re defines liquidity risk as the risk of not being able to meet current and future financial obligations as and when they fall due, or only being able to do so at excessive cost.

Flood Re must maintain sufficient liquidity at all times to support its cedents by settling claims quickly. Flood Re generates cash inflows primarily from Levy I, premium and investment income and is exposed to significant cash outflows arising from reinsurance claims costs and operating expenses.

Flood Re monitors its liquidity and future cash flow requirements on a regular basis and maintains a high quality, well balanced and liquid investment portfolio. There is uncertainty around the timing and severity of claims costs. The maturity profile of Flood Re's invested assets is aligned to the short-term nature of the business underwritten, whereby insurance contract liabilities are generally incurred and settled within one year.

For the year ending 31 March 2023, Flood Re anticipates generating positive cash flows, unless there is a series of large flood events.

9.3.3 Market Risk

Flood Re has a conservative market risk strategy which prioritises capital preservation over investment return. The investment mandate restricts the type of holdings that may be invested in. Flood Re only invests in UK Government backed securities (gilts, treasury notes and UK Government backed liquidity funds).

9.3.4 Capital Adequacy

Flood Re has complied at all times with the regulatory minimum capital requirements and the solvency capital requirements.

For more information on Insurance Risk, see Flood Re's Annual Report and Financial Statements.

10 Cash and Cash Equivalents

	2021-22		2020-21	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Balance at 1 April	453,889	711,979	625,796	881,250
Net change in cash balance	(66,498)	(71,695)	(171,907)	(169,271)
Balance at 31 March	**387,391**	**640,284**	453,889	711,979
The following balances at 31 March are held at:				
Government Banking Services	386,879	539,023	452,471	544,693
Commercial bank accounts and cash in hand	512	76,765	1,418	85,290
Short term investments	-	24,496	-	81,996
Balance at 31 March	**387,391**	**640,284**	453,889	711,979

For further information see the Net Cash Requirement section of Chapter 3.

The majority of the short term investments relate to Flood Re's short term deposits with a maturity of three months or less which are subject to insignificant risk of changes in value.

11 Trade Receivables, Financial and Other Assets

	31 March 2022		31 March 2021	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Amounts falling due within one year				
Trade receivables	41,634	76,790	45,717	77,034
Deposits and advances	1,276	1,405	1,284	1,375
Flood Re reinsurance receivables	-	65,993	-	80,870
Other receivables	27,526	33,137	30,207	32,746
VAT	23,926	63,104	16,762	50,062
Prepayments and accrued income	195,796	212,285	199,110	233,472
Accrued income relating to EU funding	100,703	105,248	317,320	323,957
Contract assets	3,301	3,728	3,637	3,957
Less expected credit loss for receivables and contract assets	(2,776)	(7,852)	(3,072)	(10,980)
Trade and other receivables	**391,386**	**553,838**	610,965	792,493
Current loans	39	39	991	991
Current part of derivative financial instrument asset	15	15	8,766	8,766
Flood Re Short Term Deposits (>3months, <1 Year)	-	645,700	-	515,550
Flood Re UK treasury Gilts	-	14,877	-	-
Financial assets	**54**	**660,631**	9,757	525,307
Amounts falling due after one year				
Trade receivables	47	47	47	47
Other receivables	704	704	714	724
Prepayments and accrued income	-	-	12	12
Receivables due after more than one year	**751**	**751**	773	783
Eco Business fund	30,220	30,220	30,220	30,220
LDN fund	8,347	8,347	8,030	8,030
Flood Re UK treasury Gilts	-	3,039	-	-
Other financial assets	491	1,264	535	1,192
Non-current financial assets	**39,058**	**42,870**	38,785	39,442
Total receivables, financial and other assets	**431,249**	**1,258,090**	660,280	1,358,025

For Flood Re deposits with a maturity greater than 3 months at inception, additions are £1,592 million (2020-21, £1,467 million) with repayments & redemptions of £1,462 million (2020-21, £1,404 million) and interest capitalised is nil (2020-21, £0.9 million).

12 Trade Payables, Financial and Other Liabilities

	31 March 2022		31 March 2021	
	Core Department and Agencies	**Defra Group**	Core Department and Agencies	Defra Group
	£000	**£000**	£000	£000
Amounts falling due within one year				
VAT	216	1,237	978	2,554
Other taxation and social security	16,570	34,033	11,028	25,151
Flood Re reinsurance payables	-	39,240	-	43,591
Promissory notes	96,859	96,859	124,388	124,388
Trade payables	50,919	85,525	40,604	49,889
Other payables	33,788	52,353	22,326	38,368
Accruals and deferred income	414,208	787,361	452,921	790,572
Current part of finance leases	9,473	10,743	5,537	6,828
Amounts issued from the Consolidated Fund for supply but not spent at year end	387,391	387,391	453,889	453,889
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund				
Received	941	941	-	-
Receivable	7,768	7,768	5,763	5,763
Contract liabilities	6,339	150,983	6,181	139,907
Trade and other payables	**1,024,472**	**1,654,434**	1,123,615	1,680,900
Current part of derivative financial instrument liability	3,370	3,370	572	572
Current part of Environment Agency reservoir agreement	-	21,100	-	21,533
Financial liabilities	**3,370**	**24,470**	572	22,105
Amounts falling due after more than one year				
Other payables, accruals and deferred income	16,387	19,761	126,202	129,769
Finance leases	9,202	10,762	7,634	8,501
Contract liabilities	67	67	135	135
Other Payables	**25,656**	**30,590**	133,971	138,405
Environment Agency reservoir agreement	-	412,346	-	387,954
Financial liabilities	**-**	**412,346**	-	387,954
Total payables	**1,053,498**	**2,121,840**	1,258,158	2,229,364

Included within promissory notes payable is an amount of £31.8 million (2020–21, £36.9 million) which is expected to be encashed within 1 year and £65.0 million (2020-21, £87.5 million) which is expected to be encashed after 1 year based on non-legally binding encashment schedules.

13 Contract Assets and Liabilities

13.1 Contract balances

	31 March 2022		31 March 2021	
	Core Department and Agencies	Defra Group	Core Department and Agencies	Defra Group
	£000	£000	£000	£000
Receivables which are included in trade and Other Receivables	388,836	553,900	608,101	789,319
Contract Assets	3,301	3,728	3,637	3,957
Contract Liabilities	(6,406)	(151,050)	(6,316)	(140,042)

13.2 Significant changes in the contract assets and the contract liabilities balances during the period

	31 March 2022 Contract Assets		31 March 2022 Contract Liabilities	
	Core Department and Agencies	Defra Group	Core Department and Agencies	Defra Group
	£000	£000	£000	£000
Contract Assets/Liabilities at 1 April 2021	3,637	3,957	(6,316)	(140,042)
Increases/Decreases due to cash received/paid	(4,494)	(4,494)	(4,248)	(47,560)
Transfers from contract assets/liabilities to receivables/payables	4,158	4,265	4,158	36,552
Contract Assets/Liabilities at 31 March 2022	**3,301**	**3,728**	**(6,406)**	**(151,050)**

Contract balances note

The contract liabilities relate primarily to the advance consideration received from customers at EA. Revenue is recognised on completion of performance obligations and acceptance by the customer of the service provided (i.e. when the receivable is recognised).

Contract assets (capitalised costs) reporting

Costs to obtain a contract or fulfil a contract should be capitalised under IFRS 15. During 2021-22, this has not been relevant to Defra.

14 Provisions for Liabilities and Charges

14.1 Provisions for Liabilities and Charges (Excluding Pension Liabilities)

	CAP Disallowance	IR35	Flood Re Insurance	Metal Mines	FMD Sites	Core Estates Provisions	Other Provisions	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Defra Group								
Balance at 1 April 2020	647,476	19,264	179,750	223,242	144,026	18,455	14,693	1,246,906
Provided in the year	60,815	35,018	4,523	2,149	9,391	4,100	11,039	127,035
Provisions not required written back	(563,903)	-	-	(13)	-	(5,675)	(2,112)	(571,703)
Provisions utilised in year	(22,041)	(19,000)	(50,013)	(3,781)	(1,758)	-	(1,696)	(98,289)
Changes in discount rate	-	-	-	(5,826)	481	(240)	-	(5,585)
Unwinding of discount	-	-	-	3,804	2,873	251	-	6,928
Balance at 31 March 2021	122,347	35,282	134,260	219,575	155,013	16,891	21,924	705,292
Provided in the year	-	13,547	26,555	107,330	22,946	9,801	5,208	185,387
Provisions not required written back	(54,690)	-	-	-	(218)	(9,683)	(6,369)	(70,960)
Provisions utilised in year	(8,288)	(44,146)	(56,966)	(5,588)	(1,979)	-	(2,288)	(119,255)
Changes in discount rate	-	-	-	231,290	115,812	(17)	(356)	346,729
Unwinding of discount	-	-	-	3,869	2,688	6	-	6,563
Balance at 31 March 2022	**59,369**	**4,683**	**103,849**	**556,476**	**294,262**	**16,998**	**18,119**	**1,053,756**

14.2 Analysis of Provision Balances

								2021-22
	CAP Disallowance	**IR35**	**Flood Re Insurance**	**Metal Mines**	**FMD Sites**	**Core Estates Provisions**	**Other Provisions**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Defra Group								
Not later than one year	59,369	4,683	81,796	5,177	2,103	2,076	5,643	**160,847**
Later than one year and not later than five years	-	-	22,053	11,319	8,788	13,224	11,554	**66,938**
Later than five years	-	-	-	539,980	283,371	1,698	922	**825,971**
Total	**59,369**	**4,683**	**103,849**	**556,476**	**294,262**	**16,998**	**18,119**	**1,053,756**
Of which:								
Core department and agencies	59,369	4,683	-	556,476	294,262	16,998	1,897	**933,685**
NDPBs	-	-	103,849	-	-	-	16,222	**120,071**
Total	**59,369**	**4,683**	**103,849**	**556,476**	**294,262**	**16,998**	**18,119**	**1,053,756**

The timing of cash flows for the provisions requires management to make estimates and assumptions. All estimates for provisions are based upon knowledge of current facts and circumstances, and forecasts of future events and actions. Some of the assumptions made have limitations that will mean that the actual timings of cash flows could vary significantly from these estimates.

As can be seen from the sensitivity tables in Notes 14.5 and 14.6, a modest change in the discount rate for general provisions can have a significant impact on the stated value of liabilities. These rates are advised by HM Treasury (see below) and are therefore not within the control of the department.

	2021–22
	%
Short term (0 to 5 years)	0.47
Medium term (6 to 10 years)	0.70
Long term (greater than 11 -40 years)	0.95
Very Long term (greater than 40 years)	0.66

HM Treasury provide both nominal and real discount rates, the real rate being the nominal rate inflated in line with the OBR CPI inflation forecast. Under HM Treasury guidance, there is a rebuttable presumption that departments will use the inflation rates obtained from OBR CPI forecasts when inflating provision cash flows. This presumption can only be rebutted in exceptional circumstances. The HM Treasury real rates are used for all discounted provisions in the ARA, as no logical basis has been identified for any alternatives.

14.3 Disallowance Provisions

The Commission can apply financial corrections if Defra (through RPA) does not comply with the Commission's regulations for payments funded through the CAP. Any amounts disallowed depend on the assessed severity of the breach of regulations and on subsequent negotiations with the Commission, in accordance with the Commission's clearance of accounts procedure. If disallowance is imposed by the Commission this materialises as cash refused (i.e. a deduction) in the UK's claim for reimbursement of claims under CAP. This results in Defra being liable for the amount of deduction.

Liabilities exist for all schemes where the results of external Commission audit have indicated that a financial correction is likely, and where there is an indication of the severity of the issues leading to that correction. This enables an estimate to be made. The final estimates reflect the best information available at the year end.

Liabilities which are expected to impact in future accounting periods are disclosed as provisions, covering all relevant schemes. As the process of Commission reviews progresses, the likelihood of disallowance penalties are confirmed by the Commission (and are reasonably certain). In practice, this is when the Commission has notified a penalty which, following the conciliation process between Defra and the Commission, the department will not contest further. It is at this stage that amounts are reflected in the financial statements as an accrual. Finally, the point at which the cash refused is physically transacted may come sometime after the accrual point and typically in a later accounting period. Therefore, it is important to recognise that liabilities for disallowance can cover a number of scheme years and do not just reflect any disallowance imposed in the financial year covered by any single year's accounts.

Limited notice is given of future Commission conformity audits and it is not therefore known which scheme areas will be audited during the coming year. Where there has not been an audit, then we declare a remote contingent liability in the Accountability Report. Once audits have taken place and until a reliable estimate can be made a contingent liability is disclosed. Once reliable estimates are available and a letter of the findings received from the Commission, a provision/accrual can be accounted for.

For further information on the Disallowance provision, please refer to Chapter 3.

14.4 Flood Re Insurance Provision

Flood Re most critical accounting estimate is the estimation of the ultimate liability arising from claims made under inwards reinsurance contracts.

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR), at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty.

The ultimate cost of outstanding claims is estimated using standard actuarial techniques, supplemented with bespoke methods where appropriate.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Flood Re commenced underwriting in April 2016 and has limited historical claims data of its own. The actuarial techniques used utilise historical industry data.

Estimating the ultimate cost of losses resulting from catastrophic events is inherently difficult due to the uncertainty of catastrophe claims. As a result of this uncertainty, it is often harder to determine the future development of these claims with the same degree of reliability as with other types of claim.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future: for example to reflect one-off occurrences (including changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims from the range of outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of the premium deficiency provision. Using reinsurance premium thresholds as described in the Flood Reinsurance (Scheme Funding and Administration) Regulations 2015 restricts the amount that Flood Re can charge insurers for reinsuring flood risk. These thresholds are capped at a rate dependent on the council tax banding of the property insured and may give rise to less than adequate market pricing for the risk insured. An estimate of the premium deficiency provision is made for any anticipated claims and claims handling costs that are expected to exceed the unearned premiums.

The carrying value of gross insurance claims liabilities, including the premium deficiency provision, as at 31 March 2022 is £103.8 million (2021 £134.3 million).

14.5 Abandoned Metal Mines Provision

Abandoned metal mines are responsible for about half the metals discharged into English rivers. Pollutants include Zinc, Cadmium, Lead, Copper, Nickel, Iron and/or Arsenic. Approximately 3 per cent of rivers (1,500 km) are polluted by one or more of these metals which can seriously impact environmental health, harming fish and other river wildlife and decreasing biodiversity.

Under the Water Resources Act 1991 (as amended by the Environment Act 1995) mine owners/operators cannot be held liable for permitting water pollution from mines abandoned before 2000, and most mines were abandoned before the 20th Century. Government funding and action is required to address this historical legacy. Pollution can occur when mines are closed, pumps are switched off and mine water levels rise (through rainwater or flooding) to the point where waters are discharged into surface water bodies e.g. rivers, lakes, estuaries or into groundwater (including aquifers). Government has responsibility to set regional or river basin management plans to improve water quality under the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017 (as amended), which is the regulatory framework underpinning good chemical and ecological status. Where beneficial river basin management plans may include objectives to conserve important habitats and species set under other regulatory frameworks for land, inland water, estuaries and the sea. The Environment Act 2021 gave the Defra Secretary of State the power to set environmental targets; a target has been proposed specifically to address river and estuarine pollution from abandoned metal mines.

The treatment of contaminated groundwater discharging from abandoned metal mines and limiting inputs of metals from diffuse sources (such as mining waste spoil heaps) therefore contributes to achieving good status and the proposed Environment Act target so Defra decided to implement treatment facilities at certain sites. Accordingly, Defra has a constructive obligation at these sites, working in partnership with the Environment Agency and the Coal Authority (an NDPB of Business, Energy and Industrial Strategy) managed by Terms of Reference for all three partners and a separate memorandum of understanding (MoU) between Defra and the Coal Authority.

The department funds the ongoing running costs of the operational water treatment schemes built at three abandoned metal mine sites. The Wheal Jane scheme has been running since 2000, with Force Crag coming into operation in 2014 and Saltburn Gill in 2015. A new scheme is under construction at Nent Haggs that should become operational during financial year 2022-23. These schemes remove metals from contaminated groundwater flowing out of the abandoned mines and therefore improve water quality in the rivers and estuaries affected.

The department has a provision that reflects its long term liability to remediate the water from the mines. There is uncertainty over the estimation of the value of the liability due to long term factors. The department uses an evidenced cost base, with forecasts of the running costs provided by the Coal Authority in estimating the provision. The time frames involved are less certain, but are based on scientific and geological research on how long the contamination will exist.

Defra commissioned Newcastle University to explore alternatives to expensive active chemical treatment schemes and to develop lower whole life cost systems. The compost bioreactor designed by Newcastle University for the Force Crag mine water has resulted in lower costs for running that scheme compared to an active chemical treatment system. The likelihood of further technological advances makes it difficult to predict future costs for remediation. Separately, Defra has explored local third party funding from those who benefit from the schemes, to reduce the amount of Defra funding required. This attracted £2.6 million from the North East Local Enterprise Partnership Local Growth Fund from 2016–17 to 2019–20.

In assessing the provisions there are inherent uncertainties in respect of future costs and timing of cash flow, which impact on the provision. These include new technologies; environmental standards and regulations; the impacts of adverse weather as a result of climate change; price inflation of construction and operating costs; positioning of schemes and related land costs; the number of future schemes required and the length of time they will be required to operate. Reasonable assumptions and best information have been used to inform the future costs and scientific evidence and experience has underpinned one of the more sensitive elements of the assumption, namely that underlying water treatment obligations will likely extend for many hundreds of years.

A management judgement has been taken to restrict the number of years to 100 for mine water treatment and diffuse measures, reflecting the absence of a precise estimate of the timeline for the liabilities and that an infinite provision would not be relevant to the decisions being made by the users of the financial statements.

Updates to the discount rates for provisions as advised by HM Treasury can cause the liability to vary significantly. The undiscounted value of the liability at the year end is £264.1 million (2020-21, £219.2 million). A sensitivity analysis to ascertain the responsiveness of the provision to changes to the underlying assumptions i.e. costs, the period of liability and discount rate in value and percentage has been carried out. Details are outlined in the following table.

Change in assumption	Effect on provision (in £)	Effect on provision (in % terms)
0.5% increase in Treasury Discount Rate	Decrease of 142m	Decrease of 26
0.5% decrease in Treasury Discount Rate	Increase of 206m	Increase of 37
10% increase in underlying costs	Increase of 56m	Increase of 10
10% decrease in underlying costs	Decrease of 56m	Decrease of 10
10 year increase in timeframe of the provisions	Increase of 108m	Increase of 20
10 year decrease in timeframe of the provisions	Decrease of 95m	Decrease of 17

These factors impacting volatility will continue to be monitored. The HM Treasury discount rate remains beyond the department's control and the department has no reason to apply an alternative discount rate. A change in discount rates of the scale outlined above is likely to have the most volatile impact on the provision value. The underlying cost continues to be monitored annually, in consultation with the Coal Authority. The Coal Authority continue to drive efficiencies in managing the abandoned metal mine sites, whilst also analysing the useful lives of assets used in managing and maintaining the sites.

14.6 FMD Burial Sites Provision

Since the FMD outbreak in 2001, the department has a constructive obligation for managing several burial sites across the UK as it has committed to actively manage these sites to prevent the discharge of contaminants through groundwater pollution. The provision for FMD sites represents the ongoing future liabilities relating to preventing and remediating any leachate pollution arising from burial sites. There are significant uncertainties as to the time period over which the need to monitor and manage leachate will continue at the sites. The provision has therefore been estimated based on 100 years from burial with 80 years remaining. Conceptual reports were completed in March 2020, for each site, which showed the level of contamination is decreasing. It is recommended that this is reviewed every 5 years.

The current value of the provision at 79 years remaining is £294.26 million. This is with an annual running cost of £2.092 million. If the length of the provision was to increase, the cost of the provision would increase by £6.179 million each year. Each year the provision is reduced, then the average decrease is £3.725 million. For example, if the length of the provision is assumed to be 100 years then the value of the provision would be £442.85 million and if the assumption was 50 years then £146.41 million.

Further, sensitivity analysis has flagged potential volatility in the carrying value of the provision if there are changes to the lifetime, annual cost and discount rates in value and percentage as outlined in the following table. These factors impacting volatility will continue to be monitored. The HM Treasury discount rate remains beyond the department's control and the department has no reason to apply an alternative discount rate. Updates to the discount rates for provisions are advised by HM Treasury can cause the liability to vary significantly. The undiscounted value of the liability at the year end is £165.2 million (2020-21, £154.4 million). A sensitivity analysis to ascertain the responsiveness of the provision to changes to the underlying assumptions relating to costs, the period of liability and discount rate in value and percentage has been carried out. Details are outlined in the table below. The underlying cost continues to be monitored annually and any future increases will likely be offset by efficiencies across the sites.

Change in assumption	Effect on provision (in £)	Effect on provision (in % terms)
0.5% increase in Treasury Discount Rate (see Note 14.2)	Decrease of 59.8 m	Decrease of 20.3
0.5% decrease in Treasury Discount Rate	Increase of 80.1 m	Increase of 27.2
10% increase in underlying costs	Increase of 29.4 m	Increase of 10
10% decrease in underlying costs	Decrease of 29.4 m	Decrease of 10
10 year increase in timeframe of the provisions	Increase of 65.6 m	Increase of 22
10 year decrease in timeframe of the provisions	Decrease of 57.5 m	Decrease of 19.5

14.7 Employment Legislation (IR35)

Employment Legislation (IR35), introduced in April 2017, requires public sector bodies to make an assessment of off-payroll workers employment status for tax and makes them liable for ensuring the correct tax is applied. The department uses HM Revenue and Customs' own Check of Employment Status for Tax tool (CEST) and accompanying guidance to make those assessments.

During 2019–20, internal checks and additional HM Revenue and Customs' guidance highlighted inaccuracies in the historic assessment of some contractor's employment status. The department re-assessed the status of all Defra contractors in light of these inaccuracies. The work done on reassessments decreased the proportion of contractors outside IR35 from 85 per cent to 22 per cent of all current contractors as at 31 March 2021. A reliable estimate was calculated for the amount Defra owed to settle the tax liability for inaccurate IR35 assessments. In calculating this liability, some assumptions were made that carried an element of estimation uncertainty and the provision was valued at £35 million, after utilising £19 million in a payment to HMRC on 31 March 2021.

Defra completed all the work on contractor reassessments during 2021-22 which resulted in 4 per cent of contractors remaining outside IR35. Following update meetings with HMRC, the final estimation of the liability as at 31 March 2022 was calculated with enough detail to utilise the provision. The closing provision balance of £4.7 million represents a reliable estimate of interest chargeable on the liability.

HM Revenue and Customs' compliance audit is now complete and any outstanding liabilities have been settled.

15 Pension Liabilities

15.1 Pension Schemes Managed by the Department

The department contributes to the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as Alpha, but does not manage the scheme. Details are reported in Chapter 5 - Civil Service Pension Schemes. Employer contributions to the funds are included in the Statement of Comprehensive Net Expenditure (SOCNE) but the share of assets and liabilities are not disclosed in the Statement of Financial Position (SOCF), as they cannot be separately identified.

In addition to these there are also a number of pension schemes which are managed by the department and NDPB's, these include a mixture of funded and by analogy schemes (unfunded). The table below details the funds managed by the Core department and those disclosed by the NDPB's:

Schemes Disclosed by the Core Department	Schemes Disclosed in the NDPB Accounts
EA Pension Liability (Closed Scheme) (funded)	Home Grown Cereals Authority Pension Scheme (funded)
Nature Conservancy Council Pension (by-analogy)	EA Active Pension Scheme (funded)
Former Countryside Agency Pension Schemes (Rural Community Council and Ex-Chairmen Schemes) (by-analogy)	NE Pension Scheme (by-analogy)
Horticultural Research International Pension Scheme (by-analogy).	Sea Fish Industry Authority (funded)
	Meat and Livestock Commission Pension Scheme (funded).

Disclosures in relation to these schemes are made in accordance with the accounting treatment in IAS 19. The standard has no impact on the level of cash contributions paid by the department which are set reference to assumptions agreed at periodic actuarial valuations of each scheme. The standard requires the disclosure of the net liability which is an assessment of the value of any gap between the assets help by the scheme and the total present value of the funded and unfunded obligations, however, there is no requirement to address this net liability by payment of a lump sum or otherwise.

Below are details of the most material schemes to the department– the EA Pension Closed and Active Funds – which are part of the Local Government Pension Scheme (LGPS) in England and Wales and the Meat and Livestock Commission Scheme recognised by AHDB. Robust governance arrangements are in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies. The overriding objective is to act in the best interests of the members and employers. Those persons responsible for governing the scheme have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.

15.1.1 EA Pension Liability (Closed Scheme)

The EA Closed Fund (the Fund) is vested in EA by Regulation 2(1) of the Local Government Pension Scheme Regulations 1996 and the Environment Act 1996 and is maintained for the purposes of Section 7 of the Superannuation Act 1972. The Secretary of State has the function conferred by Section 173 of the Water Act 1989 to make such payments into the Fund as may be considered appropriate in respect of the actual and contingent liabilities falling from time to time. This was reaffirmed through the memorandum of understanding between the accounting officers of Defra and EA, 17 May 2005. These are met out of the Fund to persons who were ex-employees of regional water authorities and other water industry bodies at the time of water privatisation in 1989 (the Closed Fund members).

The Fund's approach to funding the pension liabilities is focused on ensuring that sufficient funds are available to meet all liabilities as they fall due for payment. Since 1 April 2006, Grant-in-Aid has been paid that is sufficient to meet the pension obligations and running costs of the Fund.

All calculations have been made by a qualified independent actuary. As required under IAS 19, the projected unit credit method of valuation has been used. The last formal valuation of the Fund was carried out as at 31 March 2019.

At the last actuarial valuation date, the weighted average duration of the defined benefit obligation was 9.3 years.

The estimated sponsor's contributions for the year to 31 March 2023 will be approximately £50 million.

15.1.2 EA Active Pension Scheme

EA operates a defined benefit pension scheme for current employees and transferees from predecessor organisations. The scheme is part of the LGPS, a statutory scheme primarily governed by the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. These are subject to amendment over time. Further details on the Pension Fund including its annual report and financial statements, are on the Environment Agency Pension Fund website (www.eapf.org.uk).

EA has awarded a contract to SSCL, who participate in the Fund on a risk sharing basis. To reflect the risk sharing agreement between EA and SSCL:

- the value of the assets and liabilities for SSCL have been included in EA's IAS 19 position;
- contributions paid by SSCL have been included as contributions made by EA to the fund; and
- the SSCL membership statistics have been included with the membership statistics of EA.

Natural Resources Wales (NRW) also have employees who participate in the fund and pay contributions accordingly.

The Fund's approach to funding the pension liabilities is focused on ensuring that sufficient funds are available to meet all liabilities as they fall due for payment, recovering any shortfall in assets, relative to the value of accrued liabilities, over broadly the future working lifetime of current employees. Employer contributions are kept as stable as possible, and the fund is managed to maximise the returns from investments, within reasonable risk parameters.

All calculations have been made by a qualified independent actuary. As required under IAS 19, the projected unit credit method of valuation has been used. The last formal valuation of the fund was carried out as at 31 March 2019.

The total pension charge for the Environment Agency was £206.3 million for the financial year 2021–22 (£109.4 million in 2020–21). The pension charge relating to the scheme was assessed in accordance with the advice of an independent qualified actuary using the projected unit method of valuation to calculate the service costs.

The Environment Agency's funding arrangements are to pay 14.5 per cent of the monthly gross salary of members to the Pension Fund each month, and then pay a lump sum to meet the equivalent employer contribution of 19 per cent, although the EA made the lump sum that was payable in 2021-22 a year early, meaning that only 14.5 per cent of the monthly pensionable salary of members was paid in 2021-22.

The latest triennial actuarial valuation of the Environment Agency pension fund (EAPF) was at 31 March 2019. The assets taken at market value (£3.7 billion) were sufficient to cover 106 per cent of the value of liabilities in respect of past service benefits which had accrued to members.

EA accepted the independent actuary's recommendation to increase employer contributions by 0.5 per cent from 18.5 per cent to 19 per cent from April 2020 through to March 2023. This was to maintain a prudent funding plan in light of uncertainties over the cost impacts of the McCloud ruling, leaving the EU and climate change. Markets were disrupted over recent years by COVID-19 and the events in Ukraine which resulted in difficult market conditions, however, the Fund's assets have now recovered very well and as at 31 March 2022 the net asset value is over £4.1 billion.

When the Local Government Pension Scheme (LGPS) was reformed in 2014, transitional protections were applied to older members within ten years of normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an underpin, giving them the better of the benefits between the previous and reformed schemes.

In December 2018, the Court of Appeal upheld a ruling that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination, known as the 'McCloud Ruling'. The implications of the ruling are expected to apply to the LGPS, and other public service schemes. At the end of 2018–19, an initial liability was recognised within the IAS19 report of £28.3 million. In 2019–20 this has reduced by £13.4 million following Ministry for Housing, Communities and Local Government (MHCLG),(now called the Department for Levelling Up, Housing and Communities), consultation which set out qualifying member criteria. No further adjustment has been made in 2021–22.

In June 2020, a legal discrimination case, namely the Goodwin case, which related to unequal death benefit provision for male dependents of female scheme members was deemed successful. Whilst this case occurred in the Teacher's Pension Scheme, it is relevant to other public sector schemes including the LGPS. Initial analysis suggests this will affect a very small population of the scheme membership and may result in an increase in the cost of pensions from previous years' service estimated at around £3.4 million, which for completeness has been included in the 2019–20 IAS19 valuation with no further adjustment made since as there are no new details on the potential remedy relating to this case.

At the last actuarial valuation date, the weighted average duration of the defined benefit obligation was 23 years.

The estimated employers' contributions for the year to 31 March 2023 will be approximately £57.6 million.

Further details can be found in the Environment Agency Annual Report and Accounts.

15.1.3 Meat and Livestock Commission (MLC) Pension Scheme

Defined Benefits Scheme

The Agriculture and Horticulture Development Board (AHDB) is the principal employer in a contributory pension scheme providing defined benefits to legacy MLC employees and ex-employees, based on final pensionable salary. This scheme is closed to new entrants and, with effect from 31 March 2022, was also closed to the future accrual of all benefits. The assets of the scheme are held separately from those of AHDB, being invested with insurance and investment companies. Contributions to the scheme are charged to AHDB's income and expenditure account and are determined by a qualified actuary on the basis of triennial valuations, using the projected unit method.

For the purposes of the IAS 19 accounts, the employer's contributions to the scheme in 2022–23 are estimated to be nil. An accurate future contribution rate will be established during the 2022-23 year once the triennial actuarial valuation is finalised. Actuarial valuations are usually prepared on a triennial basis. The latest valuation was completed as at 31 March 2018. At 31 March 2022, 60.3 per cent of the scheme's total assets were represented by the buy-in policies.

The effect of the ruling in the Lloyds Trustees vs Lloyds Bank PLC and Others [2018] case on Guaranteed Minimum Pensions (GMP) has been taken into account in the valuation of the liabilities of the scheme. On the 20 November 2020, the High Court ruled that pensions schemes should revisit transfer payments made since 17 May 1990 and the actuary has therefore included an additional liability within past service cost.

Defined Contribution Scheme

The defined contribution section of the MLC Pension Scheme was closed to new members in 2008. As noted above, on 31 March 2022 both sections of the MLC Pension Scheme ceased all future accrual of benefits. Consequently, the defined contribution section of the MLC Pension Scheme had no active members as at 31 March 2022.

Further details can be found in the AHDB Annual Report and Accounts.

15.2 Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability

As at 31 March 2022

	Total Core Department and Agencies			Total Department			
	Assets	**Obligations**	**Net (liability) /asset**	**Assets**	**Obligations**	**Adjustments**	**Net (liability) /asset**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fair value of employer assets	305,500	-	305,500	4,483,717	-	-	4,483,717
Present value of funded liabilities	-	(498,000)	(498,000)	-	(5,528,198)	-	(5,528,198)
Present value of unfunded liabilities	-	(89,730)	(89,730)	-	(311,651)	-	(311,651)
Less irrecoverable surplus	-	-	-	-	-	(2,029)	(2,029)
Opening Position as at 31 March 2021	305,500	(587,730)	(282,230)	4,483,717	(5,839,849)	(2,029)	(1,358,161)
Service cost							
Current service cost	-	-	-	-	(206,980)		(206,980)
Past service cost (including curtailments)	-	-	-	-	(132)		(132)
Effect of settlements	-	-	-	-	22		22
Other expenses	-	-	-	(29)	-	(43)	(72)
Total service cost	**-**	**-**	**-**	**(29)**	**(207,090)**	**(43)**	**(207,162)**
Net interest							
Interest income on plan assets	3,800	-	3,800	89,241	-	-	89,241
Interest cost on defined benefit obligation	-	(6,988)	(6,988)	-	(116,152)	-	(116,152)
Total net interest	**3,800**	**(6,988)**	**(3,188)**	**89,241**	**(116,152)**	**-**	**(26,911)**
Total defined benefit cost recognised in profit or (loss)	**3,800**	**(6,988)**	**(3,188)**	**89,212**	**(323,242)**	**(43)**	**(234,073)**

	Total Core Department and Agencies			Total Department			
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000
Cashflows							
Plan participants' contributions	-	-	-	26,106	(26,106)		-
Employer contributions	47,900	-	47,900	103,858	-	-	103,858
Contributions in respect of unfunded benefits	6,300	-	6,300	6,300	220	-	6,520
Benefits paid	(45,200)	47,066	1,866	(139,791)	142,073	-	2,282
Unfunded benefits paid	(6,300)	6,300	-	(6,520)	6,300	-	(220)
Expenses	(700)	-	(700)	(1,100)	-	-	(1,100)
Expected closing position	**311,300**	**(541,352)**	**(230,052)**	**4,561,782**	**(6,040,604)**	**(2,072)**	**(1,480,894)**
Remeasurements							
Change in demographic assumptions	-	(6,500)	(6,500)	-	33,934	-	33,934
Change in financial assumptions	-	(13,787)	(13,787)	3,620	403,505	-	407,125
Other experience	-	(3,617)	(3,617)	-	(14,936)	-	(14,936)
Return on assets excluding amounts included in net interest	16,800	-	16,800	170,356	-	-	170,356
Changes in asset ceiling	-	-	-	-	(5,600)	(2,711)	(8,311)
Total remeasurements recognised in Other Comprehensive Income (OCI)	**16,800**	**(23,904)**	**(7,104)**	**173,976**	**416,903**	**(2,711)**	**588,168**
Fair value of employer assets	328,100	-	328,100	4,735,758	-	-	4,735,758
Present value of funded liabilities	-	(480,400)	(480,400)	-	(5,535,282)	-	(5,535,282)
Present value of unfunded liabilities	-	(84,856)	(84,856)	-	(88,419)	-	(88,419)
Less irrecoverable surplus	-	-	-	-	-	(4,783)	(4,783)
Closing position as at 31 March 2022	**328,100**	**(565,256)**	**(237,156)**	**4,735,758**	**(5,623,701)**	**(4,783)**	**(892,726)**

As at 31 March 2021

	Total Core Department and Agencies			Total Departmental Group			
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	301,100	-	301,100	3,816,187	-	-	3,816,187
Present value of funded liabilities	-	(529,500)	(529,500)	-	(3,956,252)	-	(3,956,252)
Present value of unfunded liabilities	-	(96,184)	(96,184)	-	(331,894)	-	(331,894)
Less irrecoverable surplus	-	-	-	-	-	(2,952)	(2,952)
Opening position as at 31 March 2020	301,100	(625,684)	(324,584)	3,816,187	(4,288,146)	(2,952)	(474,911)
Service cost							
Current service cost	-	(429)	(429)	-	(110,815)	-	(110,815)
Past service cost (including curtailments)	-	(811)	(811)	-	(1,134)	-	(1,134)
Other expenses	(700)	-	(700)	(724)	-	(65)	(789)
Total service cost	(700)	(1,240)	(1,940)	(724)	(111,949)	(65)	(112,738)
Net interest							
Interest income on plan assets	5,400	-	5,400	86,285	-	-	86,285
Interest cost on defined benefit obligation	-	(10,157)	(10,157)	-	(94,649)	-	(94,649)
Total net interest	5,400	(10,157)	(4,757)	86,285	(94,649)	-	(8,364)
Total defined benefit cost recognised in profit or (loss)	4,700	(11,397)	(6,697)	85,561	(206,598)	(65)	(121,102)
Cashflows							
Plan participants' contributions	-	-	-	25,923	(25,923)	-	-
Employer contributions	51,600	-	51,600	154,610	235	-	154,845
Contributions in respect of unfunded benefits	6,800	-	6,800	(4,800)	-	-	(4,800)
Benefits paid	(49,500)	51,364	1,864	(131,462)	145,442	-	13,980
Unfunded benefits paid	(6,800)	6,800	-	(6,800)	6,800	-	-
Expenses	-	-	-	(500)	-	-	(500)
Expected closing position	307,900	(578,917)	(271,017)	3,938,719	(4,368,190)	(3,017)	(432,488)

			Total Core Department and Agencies				Total Departmental Group
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000
			Total Core Department and Agencies				Total Departmental Group
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000
Remeasurements							
Change in demographic assumptions	-	(4,400)	(4,400)	-	(66,163)	-	(66,163)
Change in financial assumptions	-	(15,347)	(15,347)	7,941	(1,445,582)	-	(1,437,641)
Other experience	-	10,934	10,934	-	40,086	-	40,086
Return on assets excluding amounts included in net interest	(2,400)	-	(2,400)	537,057	-	-	537,057
Changes in asset ceiling	-	-	-	-	-	988	988
Total remeasurements recognised in Other Comprehensive Income (OCI)	(2,400)	(8,813)	(11,213)	544,998	(1,471,659)	988	(925,673)
Fair value of employer assets	305,500	-	305,500	4,483,717	-	-	4,483,717
Present value of funded liabilities	-	(498,000)	(498,000)	-	(5,528,198)	-	(5,528,198)
Present value of unfunded liabilities	-	(89,730)	(89,730)	-	(311,651)	-	(311,651)
Less irrecoverable surplus	-	-	-	-	-	(2,029)	(2,029)
Closing position as at 31 March 2021	305,500	(587,730)	(282,230)	4,483,717	(5,839,849)	(2,029)	(1,358,161)

15.3 Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability

As at 31 March 2022

	Environment Agency Closed Scheme (within Core Department)			Environment Agency Active Scheme (within NDPB)		
	Assets	**Obligations**	**Net (liability) /asset**	**Assets**	**Obligations**	**Net (liability) /asset**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fair value of employer assets	305,500	-	305,500	3,893,900	-	3,893,900
Present value of funded liabilities	-	(498,000)	(498,000)	-	(4,954,156)	(4,954,156)
Present value of unfunded liabilities	-	(49,800)	(49,800)	-	-	-
Opening Position as at 31 March 2021	305,500	(547,800)	(242,300)	3,893,900	(4,954,156)	(1,060,256)
Service cost						
Current service cost	-	-	-	-	(206,057)	(206,057)
Past service cost (including curtailments)	-	-	-	-	(229)	(229)
Total service cost	**-**	**-**	**-**	**-**	**(206,286)**	**(206,286)**
Net interest						
Interest income on plan assets	3,800	-	3,800	79,610	-	79,610
Interest cost on defined benefit obligation	-	(6,500)	(6,500)	-	(103,025)	(103,025)
Total net interest	**3,800**	**(6,500)**	**(2,700)**	**79,610**	**(103,025)**	**(23,415)**
Total defined benefit cost recognised in profit or (loss)	**3,800**	**(6,500)**	**(2,700)**	**79,610**	**(309,311)**	**(229,701)**
Cashflows						
Plan participants' contributions	-	-	-	25,943	(25,943)	-
Employer contributions	47,900	-	47,900	54,536	-	54,536
Contributions in respect of unfunded benefits	6,300	-	6,300	-	-	-
Benefits paid	(45,200)	45,200	-	(81,601)	81,601	-
Unfunded benefits paid	(6,300)	6,300	-	-	-	-
Expenses	(700)	-	(700)	-	-	-
Expected closing position	**311,300**	**(502,800)**	**(191,500)**	**3,972,388**	**(5,207,809)**	**(1,235,421)**

	Environment Agency Closed Scheme (within Core Department)			Environment Agency Active Scheme (within NDPB)		
	Assets	**Obligations**	**Net (liability) /asset**	**Assets**	**Obligations**	**Net (liability) /asset**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Remeasurements						
Change in demographic assumptions	-	(6,500)	(6,500)	-	28,512	28,512
Change in financial assumptions	-	(11,900)	(11,900)	-	401,845	401,845
Other experience	-	(4,400)	(4,400)	-	(10,587)	(10,587)
Return on assets excluding amounts included in net interest	16,800	-	16,800	160,927	-	160,927
Total remeasurements recognised in Other Comprehensive Income (OCI)	**16,800**	**(22,800)**	**(6,000)**	**160,927**	**419,770**	**580,697**
Fair value of employer assets	328,100	-	328,100	4,133,315	-	4,133,315
Present value of funded liabilities	-	(480,400)	(480,400)	-	(4,788,039)	(4,788,039)
Present value of unfunded liabilities	-	(45,200)	(45,200)	-	-	-
Closing position as at 31 March 2022	**328,100**	**(525,600)**	**(197,500)**	**4,133,315**	**(4,788,039)**	**(654,724)**

	MLC (within NDPB)			Other (all other schemes)			
	Assets	**Obligations**	**Net (liability) /asset**	**Assets**	**Obligations**	**Adjustments**	**Net (liability) /asset**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fair value of employer assets	210,900	-	210,900	73,417	-	-	73,417
Present value of funded liabilities	-	-	-	-	(76,042)	-	(76,042)
Present value of unfunded liabilities	-	(218,100)	(218,100)	-	(43,751)	-	(43,751)
Less irrecoverable surplus	-	-	-	-	-	(2,029)	(2,029)
Opening Position as at 31 March 2021	210,900	(218,100)	(7,200)	73,417	(119,793)	(2,029)	(48,405)
Service cost							
Current service cost	-	(600)	(600)	-	(323)	-	(323)
Past service cost (including curtailments)	-	(100)	(100)	-	197	-	197
Effect of settlements	-	-	-	-	22	-	22
Other expenses	-	-	-	(29)	-	(43)	(72)
Total service cost	**-**	**(700)**	**(700)**	**(29)**	**(104)**	**(43)**	**(176)**
Net interest							
Interest income on plan assets	4,300	-	4,300	1,531	-	-	1,531
Interest cost on defined benefit obligation	-	(4,500)	(4,500)	-	(2,127)	-	(2,127)
Impact of asset ceiling on net Interest	-	-	-	-	-	-	-
Total net interest	**4,300**	**(4,500)**	**(200)**	**1,531**	**(2,127)**	**-**	**(596)**
Total defined benefit cost recognised in profit or (loss)	**4,300**	**(5,200)**	**(900)**	**1,502**	**(2,231)**	**(43)**	**(772)**
Cashflows							
Plan participants' contributions	100	(100)	-	63	(63)	-	-
Employer contributions	300	-	300	1,122	-	-	1,122
Contributions in respect of unfunded benefits	-	-	-	-	220	-	220
Benefits paid	(10,200)	10,600	400	(2,790)	4,672	-	1,882
Unfunded benefits paid	-	-	-	(220)	-	-	(220)
Expenses	(400)	-	(400)	-	-	-	-
Expected closing position	**205,000**	**(212,800)**	**(7,800)**	**73,094**	**(117,195)**	**(2,072)**	**(46,173)**

	MLC (within NDPB)			Other (all other schemes)			
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000
Remeasurements							
Change in demographic assumptions	-	11,000	11,000	-	922	-	922
Change in financial assumptions	-	11,800	11,800	3,620	1,760	-	5,380
Other experience	-	(900)	(900)	-	951	-	951
Return on assets excluding amounts included in net interest	(8,500)	-	(8,500)	1,129	-	-	1,129
Changes in asset ceiling	-	(5,600)	(5,600)	-	-	(2,711)	(2,711)
Total remeasurements recognised in Other Comprehensive Income (OCI)	**(8,500)**	**16,300**	**7,800**	**4,749**	**3,633**	**(2,711)**	**5,671**
Fair value of employer assets	196,500	-	196,500	77,843	-	-	77,843
Present value of funded liabilities	-	(196,500)	(196,500)	-	(70,343)	-	(70,343)
Present value of unfunded liabilities	-	-	-	-	(43,219)	-	(43,219)
Less irrecoverable surplus	-	-	-	-	-	(4,783)	(4,783)
Closing position as at 31 March 2022	**196,500**	**(196,500)**	**-**	**77,843**	**(113,562)**	**(4,783)**	**(40,502)**

As at 31 March 2021

	Assets	Obligations	Environment Agency Closed Scheme (within Core Department) Net (liability) /asset	Assets	Obligations	Adjustments	Environment Agency Active Scheme (within NDPB) Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	301,100	-	301,100	3,247,426	-	-	3,247,426
Present value of funded liabilities	-	(529,500)	(529,500)	-	(3,380,705)	-	(3,380,705)
Present value of unfunded liabilities	-	(56,600)	(56,600)	-	-	-	-
Opening Position as at 31 March 2020	301,100	(586,100)	(285,000)	3,247,426	(3,380,705)	-	(133,279)
Service cost							
Current service cost	-	-	-	-	(109,280)	-	(109,280)
Past service cost (including curtailments)	-	(600)	(600)	-	(118)	-	(118)
Other expenses	(700)	-	(700)	-	-	-	-
Total service cost	(700)	(600)	(1,300)	-	(109,398)	-	(109,398)
Net interest							
Interest income on plan assets	5,400	-	5,400	75,150	-	-	75,150
Interest cost on defined benefit obligation	-	(10,100)	(10,100)	-	(78,376)	-	(78,376)
Total net interest	5,400	(10,100)	(4,700)	75,150	(78,376)	-	(3,226)
Total defined benefit cost recognised in profit or (loss)	4,700	(10,700)	(6,000)	75,150	(187,774)	-	(112,624)
Cashflows							
Plan participants' contributions	-	-	-	25,738	(25,738)	-	-
Employer contributions	51,600	-	51,600	101,642	-	-	101,642
Contributions in respect of unfunded benefits	6,800	-	6,800	-	-	-	-
Benefits paid	(49,500)	49,500	-	(78,790)	78,790	-	-
Unfunded benefits paid	(6,800)	6,800	-	-	-	-	-
Expected closing position	307,900	(540,500)	(232,600)	3,371,166	(3,515,427)	-	(144,261)

	Environment Agency Closed Scheme (within Core Department)			Environment Agency Active Scheme (within NDPB)			
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000
Remeasurements							
Change in demographic assumptions	-	(4,400)	(4,400)	-	(62,380)	-	(62,380)
Change in financial assumptions	-	(13,900)	(13,900)	-	(1,400,848)	-	(1,400,848)
Other experience	-	11,000	11,000	-	24,499	-	24,499
Return on assets excluding amounts included in net interest	(2,400)	-	(2,400)	522,734	-	-	522,734
Total remeasurements recognised in Other Comprehensive Income (OCI)	(2,400)	(7,300)	(9,700)	522,734	(1,438,729)	-	(915,995)
Fair value of employer assets	305,500	-	305,500	3,893,900	-	-	3,893,900
Present value of funded liabilities	-	(498,000)	(498,000)	-	(4,954,156)	-	(4,954,156)
Present value of unfunded liabilities	-	(49,800)	(49,800)	-	-	-	-
Closing position as at 31 March 2021	305,500	(547,800)	(242,300)	3,893,900	(4,954,156)	-	(1,060,256)

	MLC (within NDBP)			Other (all other schemes)			
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000
Fair value of employer assets	203,200	-	203,200	64,461	-	-	64,461
Present value of funded liabilities	-	-	-	-	(46,047)	-	(46,047)
Present value of unfunded liabilities	-	(208,800)	(208,800)	-	(66,494)	-	(66,494)
Less irrecoverable surplus	-	-	-	-	-	(2,952)	(2,952)
Opening Position as at 31 March 2020	203,200	(208,800)	(5,600)	64,461	(112,541)	(2,952)	(51,032)
Service cost							
Current service cost	-	(700)	(700)	-	(835)	-	(835)
Past service cost (including curtailments)	-	(100)	(100)	-	(316)	-	(316)
Other expenses	-	-	-	(24)	-	(65)	(89)
Total service cost	-	(800)	(800)	(24)	(1,151)	(65)	(1,240)
Net interest							
Interest income on plan assets	4,300	-	4,300	1,435	-	-	1,435
Interest cost on defined benefit obligation	-	(4,500)	(4,500)	-	(1,673)	-	(1,673)
Total net interest	4,300	(4,500)	(200)	1,435	(1,673)	-	(238)
Total defined benefit cost recognised in profit or (loss)	4,300	(5,300)	(1,000)	1,411	(2,824)	(65)	(1,478)
Cashflows							
Plan participants' contributions	100	(100)	-	85	(85)	-	-
Employer contributions	300	-	300	1,068	235	-	1,303
Contributions in respect of unfunded benefits	(11,600)	-	(11,600)	-	-	-	-
Benefits paid	-	12,100	12,100	(3,172)	5,052	-	1,880
Expenses	(500)	-	(500)	-	-	-	-
Expected closing position	195,800	(202,100)	(6,300)	63,853	(110,163)	(3,017)	(49,327)

	MLC (within NDBP)			Other (all other schemes)			
	Assets	Obligations	Net (liability) /asset	Assets	Obligations	Adjustments	Net (liability) /asset
	£000	£000	£000	£000	£000	£000	£000
Remeasurements							
Change in demographic assumptions	-	-	-	-	617	-	617
Change in financial assumptions	-	(19,700)	(19,700)	7,941	(11,134)	-	(3,193)
Other experience	-	3,700	3,700	-	887	-	887
Return on assets excluding amounts included in net interest	15,100	-	15,100	1,623	-	-	1,623
Changes in asset ceiling	-	-	-	-	-	988	988
Total remeasurements recognised in Other Comprehensive Income (OCI)	15,100	(16,000)	(900)	9,564	(9,630)	988	922
Fair value of employer assets	210,900	-	210,900	73,417	-	-	73,417
Present value of funded liabilities	-	-	-	-	(76,042)	-	(76,042)
Present value of unfunded liabilities	-	(218,100)	(218,100)	-	(43,751)	-	(43,751)
Less irrecoverable surplus	-	-	-	-	-	(2,029)	(2,029)
Closing position as at 31 March 2021	210,900	(218,100)	(7,200)	73,417	(119,793)	(2,029)	(48,405)

15.4 History of Experience Gains and Losses – Material Schemes

					EA Closed Scheme (funded)					**EA Active Scheme (funded)**
Year Ended :	**31-03-22**	31-03-21	31-03-20	31-03-19	31-03-18	**31-03-22**	31-03-21	31-03-20	31-03-19	31-03-18
	£000	£000	£000	£000	£000	**£000**	£000	£000	£000	£000
Fair value of employer assets	328,100	305,500	301,100	294,000	276,100	4,133,315	3,893,900	3,247,426	3,337,382	3,063,215
Present value of defined benefit obligation	(525,600)	(547,800)	(586,100)	(650,600)	(709,200)	(4,788,039)	(4,954,156)	(3,380,705)	(3,992,760)	(3,463,535)
(Deficit)/surplus	(197,500)	(242,300)	(285,000)	(356,600)	(433,100)	(654,724)	(1,060,256)	(133,279)	(655,378)	(400,320)
Experience gains/(losses) on assets	16,800	(2,400)	(3,300)	9,500	(5,400)	160,927	522,734	(107,859)	184,589	14,935
Experience gains/(losses) on liabilities	(4,400)	11,000	39,500	2,300	(900)	(10,587)	24,499	204,011	-	-
Actuarial gains/(losses) on employer assets	16,800	(2,400)	(3,300)	9,500	(5,400)	160,927	522,734	(107,859)	184,589	14,935
Actuarial gains/(losses) on obligation	(22,800)	(7,300)	21,600	10,800	(7,400)	419,770	(1,438,729)	726,112	(336,202)	74,912
Actuarial gains/(losses) recognised in SoCTE	**(6,000)**	(9,700)	18,300	20,300	(12,800)	**580,697**	(915,995)	618,253	(151,613)	89,847

					MLC Scheme
Year Ended :	**31-03-22**	31-03-21	31-03-20	31-03-19	31-03-18
	£000	£000	£000	£000	£000
Fair value of employer assets	196,500	210,900	203,200	217,200	217,300
Present value of defined benefit obligation	(196,500)	(218,100)	(208,800)	(227,000)	(220,500)
(Deficit)/surplus	-	(7,200)	(5,600)	(9,800)	(3,200)
Experience gains/(losses) on assets	(8,500)	15,100	(7,800)	5,000	3,400
Experience gains/(losses) on liabilities	(900)	3,700	2,000	(300)	(1,000)
Actuarial gains/(losses) on employer assets	(8,500)	15,100	(7,800)	5,000	3,400
Effect of limit of asset ceiling	(5,600)	-	-	-	-
Actuarial gains/(losses) on obligation	21,900	(16,000)	10,200	(6,600)	(400)
Actuarial gains/(losses) recognised in SoCTE	7,800	(900)	2,400	(1,600)	3,000

15.5 Fair Value of Assets in the Fund – Material Schemes

The assets in the scheme were:

	EA Closed Scheme	EA Active Scheme	MLC Pension Scheme
As at 31 March 2022	**£000**	**£000**	**£000**
Equities	-	1,856,155	26,500
Bonds	302,300	1,430,386	42,500
Liability Driven Investment	-	-	8,600
Property	-	648,283	-
Cash	25,900	198,491	400
Insurance policy	-	-	118,500
Total 31 March 2022	**328,200**	**4,133,315**	**196,500**
Percentage of closing fair value	**%**	**%**	**%**
Equity	-	45	13
Bonds	92	35	22
Liability Driven Investment	-	-	4
Property	-	15	-
Cash and insurance policy	8	5	61
Total	**100**	**100**	**100**
As at 31 March 2021	£000	£000	£000
Equities	-	1,953,954	35,431
Bonds	286,100	1,285,228	17,294
Liability Driven Investment	-	-	17,505
Property	-	483,974	-
Cash	19,400	170,744	5,483
Insurance policy	-	-	135,187
Total 31 March 2021	305,500	3,893,900	210,900
Percentage of closing fair value	%	%	%
Equity	-	50	17
Bonds	94	33	8
Liability Driven Investment	-	-	8
Property	-	13	-
Cash and insurance policy	6	4	67
Total	100	100	100

15.6 Financial Assumptions – Material Schemes

The major financial assumptions, based on market data, are used by the actuary when providing the assessment of the accrued liabilities as at the following dates.

	EA Closed Scheme	EA Active Scheme	MLC Pension Scheme
	% pa	% pa	% pa
As at 31 March 2022			
Inflation/pension increase rate (CPI)	2.9	3.2	3.3
Salary increase rate	-	3.7	3.5
Discount rate	1.6	2.8	2.8
As at 31 March 2021			
Inflation/pension increase rate (CPI)	2.2	2.8	2.8
Salary increase rate	-	3.3	2.8
Discount rate	1.3	2.1	2.1

15.7 Mortality Assumptions – Material Schemes

There is also uncertainty around the life expectation of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment. The mortality assumptions used by the actuary were:

		EA Closed Scheme		EA Active Scheme		MLC Pension Scheme
	Male	Female	Male	Female	Male	Female
Average future life expectancies at age 65						
Current pensioners (years)	20.5	23.3	21.9	24.1	21.5	24.0
Future pensioners (years)	20.3	24.2	23.1	26.0	22.7	25.3

15.8 Sensitivity Analysis - Material Schemes

IAS 1 requires the disclosure of the sensitivity of the results to the methods and assumptions used. Any changes in assumptions would impact on the EA and MLC pension schemes. Please note that the below sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

The sensitivities regarding the principal assumptions used to measure the EA Closed scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2022	**Approximate % Increase in Employer Liability**	**Approximate Monetary Amount**
	%	**£000**
0.5% decrease in real discount rate	3	16,530
1 year increase in member life expectancy	3	15,768
0.5% increase in pension increase rate	3	16,530

The sensitivities regarding the principal assumptions used to measure the EA Active scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2022	**Approximate % Increase in Employer Liability**	**Approximate Monetary Amount**
	%	**£000**
0.1% decrease in real discount rate	2	109,345
1 year increase in member life expectancy	4	191,522
0.1% increase in salary increase rate	-	19,731
0.1% increase in pension increase rate	2	88,746

The sensitivities regarding the principal assumptions used to measure the MLC Pension scheme liabilities are set out below:

Change in assumptions at year ended 31 March 2022	**Approximate % Increase in Employer Liability**	**Approximate Monetary Amount**
	%	**£000**
0.25% decrease in real discount rate	3	6300
0.25% increase in RPI	2	4200
Post-retirement mortality assumption - 1 year age rating	4	8100

16 Contingent Liabilities and Contingent Assets

16.1 Contingent Liabilities

16.1.1 Quantifiable

The department has the following quantifiable contingent liabilities as at 31 March 2022. Unless otherwise stated liabilities relate to the Core department.

- Small potential liabilities against the Defra group are estimated at no more than £1.1 million (2020–21, £5.2 million).

- The Woodland Carbon Guarantee is a £50 million scheme that aims to help accelerate woodland planting rates and develop the domestic market for woodland carbon for the permanent removal of carbon dioxide from the atmosphere. It provides the option to sell captured carbon in the form of verified carbon credits, called Woodland Carbon Units, to the Government for a guaranteed price every five or ten years up to 2055-56. If preferred, credits can be sold on the open market rather than to the Government. The Forestry Commission's liabilities under the Woodland Carbon Guarantee are contingent on others deciding to exercise their rights to sell the Woodland Carbon Units to the Government. The limit of this liability under the Guarantee at 31 March 2022 is £18.8 million. This contingent liability is backed by Defra and, if realised, will be funded as part of the Defra Spending Review process.

- A supplier to the Environment Agency (EA) has raised formal disputes which they allege may be valued at around £13 million; it is possible that further items may be disputed thereby increasing this value. The Environment Agency does not agree that it has an obligation, and the disputes will proceed through an adjudication process as per the contract. It is currently unclear whether there will be an economic outflow nor when an outflow, if any, would occur.

16.1.2 Unquantifiable

The department has the following contingent liabilities which are unquantifiable due to their variable nature. Unless otherwise stated liabilities relate to the Core department.

- The Commission can apply financial corrections if Defra (through the RPA) does not comply with the Commission regulations for payments funded by the European Agricultural Guarantee Fund. Any amounts disallowed (and hence funded by Defra instead) will depend on the assessed severity of the breach of regulations and on subsequent clarification negotiations with the Commission in accordance with the Commission's clearance of accounts procedure. There is an ongoing potential liability in respect of financial corrections which is unquantifiable.

- In addition to the provision for dilapidations where Defra leases properties from landlords, there remains a potential liability for dilapidations where Defra occupies properties leased by other government departments under a memorandum of terms of occupation (MOTO) agreement. The potential for and the value of a dilapidation claim for these properties is more uncertain, hence is disclosed as a contingent liability, rather than as a provision.

- As part of the revised contract with Defra's facilities management providers it has been agreed that under certain conditions arising from the rationalisation of the estate and subsequent reduction in demand, any restructuring costs such as redundancies or early retirement will be recharged to the core department.

- Defra has contingent liabilities relating to retained rights to former staff affected by Transfer of Undertaking Protection of Employment (TUPE) Regulations.

- The department is currently involved in a number of ongoing legal cases.

16.2 Contingent Assets

- The Defra group has other potential small assets, with an estimated value of £0.9 million (2020–21, £1.2 million).

- Potential contingent assets in the form of clawback on land previously sold. This could result in future receipts which are contingent on events outside our direct control and where the quantum is unknown until the event is triggered.

17 Related Party Transactions

The department is the sponsor of the executive agencies, NDPBs and levy funded bodies, all of which are within the departmental accounting boundary, shown in Note 18. Public corporations are outside the accounting boundary and are shown in Note 19. All the bodies above are regarded as related parties with which the department has had various material transactions during the year. These bodies also trade with each other and have had material transactions during the year.

The department has a 25 per cent shareholding in Fera Science Limited (FSL). The investment in FSL is accounted for as an Investment in Associate due to the department having significant influence, but not control or joint control. Significant influence is conveyed by the power to participate in the financial and operating policy decisions of FSL but not control them. The amount of the investment is shown in the Statement of Financial Position.

In addition, the department has had a number of transactions with other government departments and the devolved administrations.

Where the board members claim CAP scheme payments as detailed below, the standard EU terms and conditions for these schemes apply.

Victoria Prentis' (Minister of State) father runs the family farm which received £37,019 in BPS and woodland scheme payments.

Rt. Hon. Lord Benyon (Parliamentary Under Secretary of State - Minister for Rural Affairs, Access to Nature and Biosecurity) received £93,910 in BPS and stewardship scheme payments for a trust corporation and farm.

Katrina William's (Director General) husband, Paul Green, is employed by Defra. He is employed on normal terms and conditions and receives no preferential treatment.

Elizabeth Buchanan (Non-Executive Director) has received £14,145 in BPS payments for the family farm.

Ben Goldsmith (Non-Executive Director) received £15,015 in BPS and woodland scheme payments.

Other than those disclosed above, none of the board members or other related parties has undertaken any material transactions with the department during the year.

Compensation (including remuneration) paid to key management personnel falls within the definition of related party transactions. Please see the Remuneration Report for further details.

Details for related party transactions for executive agencies, NDPBs and levy funded bodies can be found in the notes to their ARA.

18 Entities Within the Departmental Boundary

The entities within the departmental boundary during 2021–22 comprise supply financed agencies and those entities listed in the designation and amendment orders presented to Parliament.

Executive Agencies

Animal and Plant Health Agency
Centre for Environment, Fisheries and Aquaculture Science
Rural Payments Agency
Veterinary Medicines Directorate

The executive agencies' Annual Reports and Accounts (ARAs) have been prepared under the direction of HM Treasury in accordance with Section 7(2) of the Government Resources and Accounts Act 2000 (GRAA) and are published separately.

Forestry Commission (FC) is a non-ministerial department but is included in Defra's Estimate and therefore is fully consolidated and included within the results for the Core department and executive agencies.

Executive NDPBs

Consumer Council for Water
Environment Agency
Joint Nature Conservation Committee
Marine Management Organisation
Natural England
Board of Trustees of the Royal Botanic Gardens, Kew (includes RBG Kew Enterprises Limited)
Flood Re (formally designated by the Office of National Statistics with the classification becoming public on 23 December 2021)
Office for Environmental Protection

Levy Funded Bodies

Agriculture and Horticulture Development Board (includes Sutton Bridge Experimental Unit Limited and Livestock Information Ltd).
Sea Fish Industry Authority

Non-profit Institution within the Public Sector, specifically Central Government

National Forest Company

Executive NDPBs, levy funded bodies, National Forest Company and Flood Re's ARA are published separately.

Advisory NDPBs (Defra Funded)

Advisory Committee on Releases to the Environment
Independent Agricultural Appeals Panel
Science Advisory Council
Veterinary Products Committee

Tribunal NDPBs (Defra Funded)

Plant Varieties and Seeds Tribunal (dormant)

The advisory and tribunal NDPBs do not produce a separate ARA as they are accounted for as part of the Core department accounts.

19 Entities Outside the Departmental Boundary

The public sector bodies which have not been consolidated in these accounts, but for which Defra's ministers had lead policy responsibility during the year, are as follows:

Public Corporations

Covent Garden Market Authority
Forestry England (formerly Forest Enterprise England)
Canal & River Trust

Other Bodies

National Parks Authorities (x9)
Water Services Regulation Authority (Ofwat)
Broads Authority

20 Events After the Reporting Period

Defra's financial statements are laid before the House of Commons by HM Treasury. IAS10, Events after the Reporting period, requires Defra to disclose the date on which the accounts are authorised for issue.

The Annual Report and Accounts were authorised by the Accounting Officer for issue on the date of the Comptroller and Auditor General's audit certificate.

EA Pension Fund (EAPF) assets

In accordance with accounting standards, the fair value of employer assets as disclosed in 15.3 (EA Active and Closed schemes) reflects the economic conditions in existence as at 31 March 2022. Since the reporting date there has been significant market volatility due to a number of factors including the events in Ukraine and substantially increased inflation. UK gilt market conditions have put downward pressure on government bond valuations and increased the occurrence of recapitalisation events for pension schemes with leveraged Liability-Driven Investment (LDI) mandates. The EAPF has unlevered LDI so no collateral is required to maintain hedging positions, which are implemented through physical bonds. Despite difficulties within the market, the EAPF is confident that the fund is sufficiently liquid and has adequate cash to meet expected cashflow over the foreseeable future.

This does not affect the figures reported at 31 March 2022 but reflects changes since then. For further details please refer to the published EAPF Active Pension Fund Annual Report and Accounts for 2021-22.[71]

[71] https://www.eapf.org.uk/resources/annual-reports-and-accounts

Annexes

These annexes do not form part of the financial statements and have not been subject to audit.

Annex 1: Core Tables 2021-22

These tables provide an analysis of departmental expenditure, split between resource consumption and capital investment, covering the period from 2017-18 to 2024-25.

These tables follow the layout of the Part II Table of the 2021-22 Supplementary Estimate and have been produced from HM Treasury's Online System for Central Accounting and Reporting (OSCAR) database and are on the same basis as the Statement of Parliamentary Supply. Details of the Parliamentary Main Estimate[72] and Parliamentary Supplementary Estimate[73] are published separately.

Table 1 sets out a summary of the net resource and capital expenditure for the department. It shows Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME) elements separately for control purposes. Future years' figures reflect the budgeted figures agreed with HM Treasury for the department. Spending has increased across the period due to the UK exiting the EU. This is due to initial transition work and embedding new regulatory processes, supporting the UK's food, farming, and fishing industries as the UK exited the EU.

Capital spending also increases across the period following the Government's manifesto commitment to guarantee the current annual budget to farmers in every year of the new Parliament, plus additional funding for Science Capability in Animal Health (SCAH) and the Critical Works programme at Weybridge; flood and coastal defence programmes; biodiversity; and Nature for Climate Fund (NCF).

Table 2 shows the administration costs of running the department in more detail. The administration budget includes staff costs, resource expenditure on accommodation, utilities and services etc., where they are not directly associated with front-line service delivery. The commentary on administration costs is included in the detailed analysis below, but in general terms, the underlying administration budget reflects savings required by Spending Reviews, which have been met to a large extent by the transformation of Defra's corporate services. These savings have been offset by increased expenditure on EU exit, COVID-19 and increases in the SR21 budget, which gave the department a three-year spending settlement and provides more certainty to plan for the delivery of our ambitious outcomes, including a commitment to make savings and efficiencies across the Defra group.

[72] https://www.gov.uk/government/collections/hmt-main-estimates

[73] https://www.gov.uk/government/collections/hmt-supplementary-estimates

Table 1 – Defra's Resource and Capital Budget

Resource Budget (Programme and Administration) DEL

Food and Farming

The changing profile in the early years is primarily due to the profile of Common Agricultural Policy (CAP) Disallowance payments. In line with HM Treasury guidance, CAP Disallowance has been transferred between years to match the expected profile of payments. The increase from 2019–20 reflects increased spending on EU exit as explained above. The large additional increase from 2020–21 onwards relates to direct payments for farmers following the UK's departure from the EU. Additional budget was announced on 9 January 2020 confirming that the 2020 Direct Payment scheme would be funded by the UK Government, these payments were previously funded from the European Commission (the Commission). The slight decrease from 2021-22 reflects internal transfers of budget from direct aid to environmental measures.

Improve the Environment and Rural Services

The increases from 2022-23 onwards reflect funding provided in SR21 for the wider Northern Ireland programme, including the Digital Assistance Scheme, additional funding for Official Development Assistance and new funding for biodiversity, as set out in the Environment Bill.

Protect the Country from Floods

The increase in 2023-24 and 2024-25 relates to budgets held in the Core department for a range of flood related activities, the majority of which will be transferred to the Environment Agency (EA) in the respective years.

Animal and Plant Health

Overall, we are maintaining expenditure on Animal and Plant Health and investing in vital scientific facilities. The increase in 2018–19 outturn relates to an impairment to one of the buildings at the Animal and Plant Health (APHA) Weybridge site. The increases from 2019–20 onwards reflect additional budget for preparation to exit the EU and continuing investment following the UK's departure from the EU. The increase in 2022-23 relates to the Biosecurity, Borders and Trade Programme (BBTP). This is a relatively new programme, which will incur a number of one-off costs relating to the completion of two Border Control Posts (BCPs) and IT development, as well as associated operational costs and lease payments.

Marine and Fisheries

The increases from 2018–19 onwards primarily reflect additional budget for preparation to exit and transition from the EU and continuing investment following the UK's departure from the EU. 2020-21 sees further EU transition increases and the impact of the department's response to COVID-19 for the marine and fisheries sectors. The decrease in 2021-22 relates to the reprofiling of the UK Seafood Fund, where the Government has confirmed the £100 million investment in the UK Seafood Fund to improve the long-term sustainability of the UK fisheries sector.

Departmental Operating Costs

The overall operating costs of the Defra group have reduced over the Spending Review periods, this has been offset by increases in spending due to EU exit and increases in cross-cutting functions including preparations for international trade agreements and new border arrangements. The corporate services budget for future years is held centrally under Departmental operating costs to allow for better planning and control, whereas outturn is reported against the Estimate Line for the relevant business area or arm's length body (ALB).

Improve the Environment and Rural Services (ALB) (Net)

The spending pattern largely reflects the agreed spending profile for the EA across the SR periods. The higher outturn in 2021-22 reflects higher depreciation and impairment charges due to some fixed asset adjustments at the EA.

Protect the Country from Floods (ALB) (Net)

The spending pattern largely reflects the agreed spending profile for the EA across the SR periods. The larger increase in 2020-21 is mainly due to the extra funding announced in the 2020 Budget to support flood defence asset repairs.

Marine and Fisheries (ALB) (Net)

The increase from 2019–20 onwards reflects the Marine Management Organisation's (MMO) expenditure on preparations to exit and transition from the EU and continuing investment following the UK's departure from the EU.

Resource Budget AME

Resource AME balances vary greatly over the years due to the volatility of provisions recorded as AME. A debit (a positive) is recorded as provisions are created, and a credit (a negative) recorded when a provision is utilised.

Food and Farming

As described in the DEL section earlier, the changing profile in this area is primarily due to the CAP Disallowance provision and the Commission's audit findings. Disallowance has been transferred between years so that the AME credit entries recorded here match the expected profile of the payments recorded under resource DEL. In addition to this, any movements to the CAP Disallowance provision are recorded in this section. Debit balances are seen where increases to the provision are higher than payments made in that particular year. As with the timing of Disallowance payments, changes in the value of the provision are also reliant on Commission decisions. The increase in 2019–20 reflects an increase to the CAP Disallowance provision, primarily relating to Basic Payment Scheme (BPS) scheme years 2017-2019. This was required following the receipt of the Commission's audit findings, as reported in the Article 34 letter received in November 2019. The large credit in 2020-21 relates to the write back of the CAP Disallowance provision for BPS scheme years 2017-2019 following bilateral meetings and challenge on the original calculation method used.

Improve the Environment and Rural Services

The fluctuations in trends mainly reflect movements in the provision for the Metal Mines, due to changes in the discount rate used for valuing provisions, as per HM Treasury guidance.

Departmental Operating Costs

The fluctuations in trends mainly reflect movements in the provision for the Foot and Mouth Disease (FMD) burial sites. These fluctuations mainly reflect changes in the discount rate used for valuing provisions, as per HM Treasury guidance. The provision represents the ongoing future liabilities relating to preventing and remediating any leachate pollution arising from burial sites.

Improve the Environment and Rural services (ALB) (Net)

The fluctuations in trends mainly reflect the movements in the EA pension fund.

Protect the Country from Floods (ALB) (Net)

The changing profile is mainly due to Flood Re, a limited company set up to administer the Flood Re scheme which aims to protect property owners who were previously unable to procure home insurance against the risk of flooding. The 2017–18 to 2021–22 outturn reflects the surplus position for Flood Re's final accounts in those years. The surplus for 2019–20 is lower than in previous years due to the widespread flooding between November 2019 and February 2020. The 2021-22 outturn includes an accounting entry for the EA reservoir operating agreement whereby the net movement in the liability scores to AME. The budget for 2022–23 onwards includes cover in case a significant flood event occurs and reflects the maximum impact Flood Re can have on public sector net borrowing. The fluctuations in trends on this line also include movements in the EA pension fund.

Capital Budget DEL

Food and Farming

The increase from 2021-22 onwards is mainly driven by an increase to the SR20 and SR21 budgets for capital scheme costs for future farming and countryside schemes following the UK's departure from the EU.

Improve the Environment and Rural Services

The increase from 2022-23 onwards relates to additional funding in SR21 for NCF and biodiversity. The Government has expanded the NCF, ensuring total spending of more than £750 million by 2024-25 in support of ambitious tree planting and peat restoration goals. The additional increase in 2023-24 relates to the Collection & Packaging Reforms programme which includes extended producer responsibility, deposit recovery scheme and consistency in collections.

Animal and Plant Health

The increase in 2021-22 reflects APHA's investment in stabilising, enhancing and transforming a number of IT systems relating to endemic diseases, science, trade and biosecurity. This investment was agreed as part of SR20. The increases from 2022-23 are mainly driven by an increase in the capital budget in SR21 for the BBTP and some research and development (R&D) budgets including Weybridge which were previously held in the centre under the Departmental Operating Costs Estimate line.

Marine and Fisheries

Increases in 2022-23 and 2023-24 relate to increased capital funding for marine programmes whereby the Government has confirmed the £100 million investment in the UK Seafood Fund to improve the long-term sustainability of the UK fisheries sector over the SR period.

Departmental Operating Costs

The increases from 2020-21 onwards are primarily due to increases in the capital budget for R&D funding to support SCAH and the Critical Works programme at Weybridge and Defra, and funding to support EU exit transition. The budgets from 2022-23 onwards also include additional budget for the UK's potential contribution to the EU's Copernicus Programme of Earth Observation Satellites.

Improve the Environment and Rural Services (ALB) (Net)

The decrease in 2019–20 relates to a capital disposal, involving the sale of surplus land by the EA. The increase in 2021- 22 relates to extra budget for National Nature Reserves. The increase from 2022-23 largely reflects the agreed spending profile for the EA across the SR periods.

Protect the Country from Floods (ALB) (Net)

There has been increased investment across the years in flood and coastal erosion risk management which includes part of the six-year flood defence programme.

Capital Budget AME

Departmental Operating Costs

2022-23 includes the budget for dilapidation provisions capitalised as part of the right-of-use asset under IFRS 16. This accounting standard states how leases should be presented, recognised, measured and disclosed in the annual accounts. Future year's budgets are still to be agreed with HM Treasury.

Food and Farming (ALB) (Net)

The increase in budget from 2022–23 is required for potential reclassification of R&D expenditure from resource to capital in the Agriculture and Horticulture Development Board.

Protect the Country from Floods (ALB) (Net)

The figures for 2019–20 onwards relate to capital additions in Flood Re. Flood Re adopted IFRS 16 leases in 2019-20.

Table 1 – Defra's Resource and Capital Budget

	2017-18 Outturn £000	2018-19 Outturn £000	2019-20 Outturn £000	2020-21 Outturn £000	2021-22 Outturn £000	2022-23 Plans £000	2023-24 Plans £000	2024-25 Plans £000
Resource DEL								
Food and farming	206,668	196,769	293,905	2,417,013	1,965,221	2,135,863	2,059,157	1,981,437
Improve the environment and rural services	403,725	474,078	516,484	511,983	550,274	831,035	765,761	803,540
Protect the country from floods	1,277	1,027	1,356	3,052	3,314	3,525	38,525	36,525
Animal and plant health	163,023	197,395	204,401	262,613	330,272	414,082	328,780	317,535
Marine and fisheries	32,035	46,293	53,258	82,456	60,877	104,388	90,554	72,500
Departmental operating costs	362,947	418,439	487,126	525,555	535,762	711,928	760,061	758,321
Improve the environment and rural services (ALB) (net)	287,287	287,494	278,774	296,160	362,628	219,573	207,699	193,478
Protect the country from floods (ALB) (net)	384,898	357,241	386,740	496,847	447,890	344,255	343,897	336,569
Marine and fisheries (ALB) (net)	13,869	16,766	23,088	25,718	32,712	25,815	24,555	23,203
Total Resource DEL	**1,855,729**	**1,995,502**	**2,245,132**	**4,621,397**	**4,288,950**	**4,790,464**	**4,618,989**	**4,523,108**
Resource AME								
Food and farming	(66,366)	(171,170)	628,704	(530,714)	(59,847)	50,881	50,881	50,881
Improve the environment and rural services	97,627	(236,369)	14,146	(3,936)	333,502	(880)	(880)	(880)
Animal and plant health	(3,901)	(1,780)	(573)	(236)	(6,627)	5	-	-
Marine and fisheries	233	(1,111)	(2,440)	(1)	232	9	-	-
Departmental operating costs	15,119	(51,017)	50,623	24,599	108,294	50,468	50,368	50,368
Food and farming (ALB) (net)	(1,269)	8,081	2,332	(343)	(930)	9,659	7,306	7,306
Improve the environment and rural services (ALB) (net)	(12,268)	22,223	9,829	(27,381)	74,826	39,324	39,295	39,295
Protect the country from floods (ALB) (net)	(57,410)	(70,295)	(6,063)	(76,104)	(15,586)	156,113	156,000	156,000
Marine and fisheries (ALB) (net)	(86)	303	1,825	2,067	(1,123)	55	60	60
Total Resource AME	**(28,321)**	**(501,135)**	**698,383**	**(612,049)**	**432,741**	**305,634**	**303,030**	**303,030**

	2017-18 Outturn	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Plans	2023-24 Plans	2024-25 Plans
	£000	£000	£000	£000	£000	£000	£000	£000
Total Resource Budget	**1,827,408**	**1,494,367**	**2,943,515**	**4,009,348**	**4,721,691**	**5,096,098**	**4,922,019**	**4,826,138**
Of which:								
Depreciation - DEL	177,294	198,069	209,170	203,009	247,203	287,920	255,140	255,140
Depreciation - AME	2,291	5,655	5,683	37,531	(1,599)	14,581	13,544	13,544
Depreciation[1]	179,585	203,724	214,853	240,540	245,604	302,501	268,684	268,684
Capital DEL								
Food and farming	5,148	3,745	9,324	23,799	152,225	401,000	671,535	732,747
Improve the environment and rural services	32,496	53,142	63,646	57,489	98,815	358,924	637,809	357,249
Protect the country from floods	353	264	716	2,580	7,067	500	500	320
Animal and plant health	12,852	12,832	17,919	11,439	35,502	176,989	192,330	142,620
Marine and fisheries	6,014	13,868	9,079	11,845	18,207	40,658	43,010	13,330
Departmental operating costs	60,838	61,738	50,564	86,619	138,272	286,434	305,322	385,670
Improve the environment and rural services (ALB) (net)	71,587	70,481	35,246	61,527	112,401	130,200	157,144	145,714
Protect the country from floods (ALB) (net)	431,174	486,253	537,632	634,531	769,630	730,737	953,500	1,021,500
Marine and fisheries (ALB) (net)	157	543	2,279	879	1,759	881	850	850
Total Capital DEL	**620,619**	**702,866**	**726,405**	**890,708**	**1,333,878**	**2,126,323**	**2,962,000**	**2,800,000**
Capital AME								
Departmental operating costs	-	-	-	-	-	33,000	-	-
Food and farming (ALB) (net)	116	203	423	1,438	271	14,931	14,238	14,238
Protect the country from floods (ALB) (net)	-	-	2,556	2,060	2,359	1,918	1,918	1,918
Marine and fisheries (ALB) (net)	83	123	113	102	25	-	-	-
Total Capital AME	**199**	**326**	**3,092**	**3,600**	**2,655**	**49,849**	**16,156**	**16,156**
Total Capital Budget	**620,818**	**703,192**	**729,497**	**894,308**	**1,336,533**	**2,176,172**	**2,978,156**	**2,816,156**

	2017-18 Outturn	2018-19 Outturn	2019-20 Outturn	2020-21 Outturn	2021-22 Outturn	2022-23 Plans	2023-24 Plans	2024-25 Plans
	£000	£000	£000	£000	£000	£000	£000	£000
Total departmental spending[2]	**2,268,641**	**1,993,835**	**3,458,159**	**4,663,116**	**5,812,620**	**6,969,769**	**7,631,491**	**7,373,610**
Of which:								
Total DEL	2,299,054	2,500,299	2,762,367	5,309,096	5,375,625	6,628,867	7,325,849	7,067,968
Total AME	(30,413)	(506,464)	695,792	(645,980)	436,995	340,902	305,642	305,642

[1] Includes impairments.

[2] Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

The 2022-23, 2023-24 and 2024-25 plans figures are based on provisional allocations and are subject to change, following further business planning decisions.

The Countryside and Rural Services Estimate line has been merged within existing Estimate lines and has subsequently changed the allocation of some prior year numbers.

Table 2 – Defra's Administration Costs

	2017-18 Outturn £000	2018-19 Outturn £000	2019-20 Outturn £000	2020-21 Outturn £000	2021-22 Outturn £000	2022-23 Plans £000	2023-24 Plans £000	2024-25 Plans £000
Resource DEL								
Food and farming	40,590	68,321	68,358	72,957	79,195	124,282	117,676	115,949
Improve the environment and rural services	27,231	58,391	89,893	97,499	108,423	143,728	138,999	130,640
Protect the country from floods	1,048	1,024	1,237	1,954	2,450	2,325	2,325	2,325
Animal and plant health	9,926	37,363	29,314	42,877	59,117	136,267	61,206	58,857
Marine and fisheries	4,111	13,088	17,381	17,303	21,886	27,765	27,541	25,138
Departmental operating costs	258,812	313,935	361,701	350,692	397,434	450,264	482,143	458,654
Improve the environment and rural services (ALB) (net)	58,188	75,272	69,004	64,635	82,444	67,818	66,414	63,163
Protect the country from floods (ALB) (net)	80,683	77,201	69,072	82,348	79,161	54,761	54,755	52,556
Marine and fisheries (ALB) (net)	2,108	2,375	2,149	2,047	2,198	2,808	2,808	2,585
Total administration budget	**482,697**	**646,970**	**708,109**	**732,312**	**832,308**	**1,010,018**	**953,867**	**909,867**

The Countryside and Rural Services Estimate line has been merged within existing Estimate lines and has subsequently changed the allocation of some prior year numbers.

The underlying administration budget reflects the savings required by Spending Reviews which have been met to a large extent by the transformation of Defra's corporate services. These savings have been offset by increased expenditure on EU exit, COVID-19 and increases in the SR21 budget, which gave the department a three-year spending settlement and provides more certainty to plan for the delivery of our ambitious outcomes, including a commitment to make savings and efficiencies across the Defra group.

Within the detail of the table, Departmental Operating Costs increases over the years. This largely reflects the administration element of the consolidation of Defra Group Corporate Service functions. The remaining increases from 2022–23 onwards reflect additional budget in the SR21 for digital funding, BBTP and property rationalisation and places for growth.

Annex 2: Disaggregated Information on Arm's Length Bodies

This information is not subject to audit.

This table provides an analysis of total operating income, total operating expenditure and net expenditure for the year, also staff numbers and costs.

	Total Operating Income	**Total Operating Expenditure**	**Net Expenditure for the Year (including financing)**	**Permanently Employed Staff Number of employees**	**Permanently Employed Staff Staff costs**	**Other Staff Number of employees**	**Other Staff Staff costs**
Core department	358,515	2,116,494	1,757,979	5,056	331,326	1,810	131,946
APHA	65,070	311,982	246,912	2,527	111,893	188	7,166
CEFAS	16,704	60,633	43,929	597	29,261	-	-
FC	13,404	102,267	88,863	560	28,054	82	3,378
RPA	174,177	2,121,477	1,947,300	2,164	74,022	142	9,991
VMD	12,387	25,188	12,801	173	9,749	14	710
AHDB	54,723	48,585	(6,318)	437	22,194	1	60
CCW	15	5,941	5,926	74	3,553	-	489
EA	445,517	1,934,928	1,489,411	9,902	411,977	753	20,394
Flood Re	248,757	141,877	(106,880)	49	6,715	-	-
JNCC	2,045	18,820	16,775	233	10,738	6	225
MMO	4,735	43,563	38,828	393	18,244	-	4,841
NFC	1,510	5,144	3,634	25	1,386	5	222
NE	17,985	196,465	178,480	2,143	92,477	126	5,063
OEP	-	2,358	2,358	39	1,232	3	166
RBG Kew	62,636	85,026	22,390	966	41,907	17	3,138
SFIA	9,980	8,857	(1,123)	75	3,605	7	393

Total operating income, total operating expenditure and net expenditure are defined against the accounts set out in the illustrative statements, specifically NDPB Green and Agency Pink.

The figures in the table may not agree directly to the published ALB accounts, due to FReM alignment, intergroup eliminations, timing differences and other consolidation adjustments.

Annex 3: Commentary on Sustainable Performance

Background

The environmental data and associated financial costs presented in the following pages are consistent with the requirements of HM Treasury's Public Sector Annual Reports: Sustainability Reporting Guidance 2021 to 2022.

The information contained within this annex has not been subject to audit and does not form part of the auditors' opinion on the accounts.

Introduction

This annex sets out Defra's performance against the sustainability objectives of its estate and operations.

This report focuses on the most significant estate and travel impacts identified through the departmental group's Environmental Management Systems measured against the Greening Government Commitments (GGC) targets. These targets are for reductions in GHG emissions, waste arisings, water use and for increasing procurement of more sustainable goods and services.

Other aspects of Defra group's operations contribute to its environmental impact including the embedded carbon and water of purchased items, supplier transport, waste handling and water supply. These impacts are not captured by this report but some of these are mitigated through sustainability criteria stipulated in procurement and services contracts.

The targets, which are measured from a 2017-18 baseline, include:

- Reduce GHG from the whole estate and business-related transport by 50 per cent;
- Reduce direct GHG from buildings by 15 per cent;
- Reduce the amount of waste to Landfill to below five per cent;
- Increase the amount of recycled waste to above 70 per cent;
- Reduce total waste by 15 per cent;
- Reduce water consumption by eight per cent;
- Reduce the GHG from domestic flights by 30 per cent;
- Reduce paper use by 50 per cent;
- Upgrade all fleet vehicles to ultra low emissions (by end 2027)
- Remove single use plastics from offices.

The targets to be met by the end of March 2025.

Performance against these targets is defined using the following terms:

- *Exceeded target:* the target has been exceeded;
- *On target:* performance is on track to meet the target;
- *Below Target:* performance is not on track to meet the target
- *Increase from baseline:* no reduction made and performance in this area has worsened since the baseline year.

Assurance and Data

The data in Table 1 presents the GHG, energy consumption, water use, and waste arisings figure as reported as part of the GGC and reports performance for 1 April 2021 to 31 March 2022. Cost data is not reported as part of the GGC, therefore all financial data presented in this report is sourced from accounting records for this period.

Energy and water data is primarily taken from supplier invoices. In most cases, the data in these invoices is informed by manual meter readings or Smart Meter readings.

Waste data is derived from figures provided by the Defra group's waste contractors. Wherever possible actual weights are used but where this is not possible waste data is calculated using a metric based on the number of bins emptied. Audits have been undertaken to validate and improve the accuracy of this data for common waste streams. This estimation methodology will result in a small margin of error. It is not currently cost effective to weigh all waste streams.

Departmental Group Performance[74]

This section of the report provides an overview of Defra group performance against the GGC targets. For the purposes of GGC reporting the departmental group comprises the following bodies:

- Defra Core department

- Non-ministerial departments:
  - Forestry Commission (Forestry England) (FE)
  - The Water Services Regulation Authority

- Executive agencies:
  - Animal and Plant Health Agency
  - Centre for Environment, Fisheries and Aquaculture Science
  - Rural Payments Agency
  - Veterinary Medicines Directorate

- Executive non-departmental public bodies:
  - Agriculture and Horticulture Development Board
  - Royal Botanic Gardens Kew (RBG Kew)
  - Consumer Council for Water
  - Environment Agency (EA)
  - Joint Nature Conservation Committee
  - Marine Management Organisation
  - Natural England

[74] The data contained in this annex is reported as absolute values. It has not been normalised against metrics such as FTE staff, financial turnover or metre squared floor space. The diverse business delivery across the Estate is influenced by numerous factors such as weather, scientific undertakings and tourism numbers. This makes it difficult to report trends and make fair comparisons to other organisations.

  - Sea Fish Industry Authority

- Others:
  - Lake District National Park Authority
  - Other Defra group bodies and other government departments
    (Under the major occupier rule, Defra reports the environmental impact of other government departments which occupy its buildings. Also included are some of Defra group Bodies which do not meet the threshold for GGC reporting but are of insufficient materiality to remove from the departmental dataset.)

Governance

Progress against the GGC targets is reported to the Director of Group Property on a quarterly basis.

Quality assurance is managed through the Sustainability and Energy team who are responsible for producing the Defra group sustainability reports. These have been subject to internal audit in the past and found to be compliant with GGC and HM Treasury guidelines.

Performance and Future Strategy

The Defra group aims to keep sustainability at the heart of its business delivery and operations and the Defra group strategy puts environmental improvement as its first objective. It strives to operate in the most sustainable and environmentally responsible manner: improving the way we use our workspaces; reducing energy and water use; reducing the amount of waste generated; making strategic energy and waste savings from IT services; and assessing the products and services that are purchased to support all operational activities. We recently completed a Departmental-wide analysis of our complete carbon footprint for 2019-20 which will be the basis of our future net zero performance.

Estates

Business activities in Defra group's buildings are the most significant contributor to overall environmental impact. The Defra group portfolio comprises a diverse mix of properties which includes office buildings, storage facilities, pumping stations, forestry facilities, botanic gardens, farms and complex laboratory campus facilities.

The wide range of activities undertaken presents considerable challenge in delivering savings in energy and water used and waste generated. The following section details performance and summarises some future plans for meeting the GGC targets.

New Greening Government Commitments

In October 2021, the Government launched a new round of GGC targets that replace the previous targets that had since expired. The new targets will help the Government achieve its net zero goal and the aims of Defra's 25-year environment plan.
Full detail on the new GGC targets can be found at https://www.gov.uk/government/publications/greening-government-commitments-2021-to-2025

The new targets have a new baseline year (2017-18) and we began collecting data for the new targets in 2021-22. We have also changed the scope of our GGC reporting to include more organisations across the wider Department.

Performance and data used in this report relates to the new target requirements.

Any data for years in-between 2017-18 and 2021-22 is taken from prior GGC reporting and therefore does not cover the same scope of organisations. It is included merely for general comparative purposes.

Targets and Performance

	Current Achievements	Target April 2025	Current Performance	Link to UN Sustainable Development Goals
Total GHG Reduction 2021–22 vs. Baseline	32% reduction	50% reduction	On target	Climate Action
Direct GHG from buildings 2021-22 vs. Baseline	1% increase	15% reduction	Increase from baseline	Climate Action
Landfill Waste Reduction 2021–22	15.4% sent to Landfill	Less than 5% sent to landfill	Below target	Responsible Consumption and Reduction
Recycling Waste 2021-22	36.4% recycled	More than 70% recycled	Below target	Responsible Consumption and Reduction
Total Waste Reduction 2021-22 vs Baseline	29% reduction	15% reduction	Exceeded target	Responsible Consumption and Reduction
Water Reduction 2021–22 vs. Baseline	32% reduction	8% reduction	Exceeded target	Clean Water and Sanitation & Responsible Consumption and Reduction
Domestic Flights emissions Reduction 2021–22 vs. Baseline	90% reduction	30% reduction	Exceeded target	Climate Action

	Current Achievements	Target April 2025	Current Performance	Link to UN Sustainable Development Goals
Paper Use Reduction 2021–22 vs. Baseline	86% reduction	50% target	Exceeded target	Responsible Consumption and Reduction

Our sustainability performance has been impacted by the COVID-19 pandemic. This has paused most of our plans to improve the sustainability of our estate over the last year.

We have reduced our total carbon emissions by 32 per cent from our baseline. COVID-19 has had a significant impact in the way we work. Many of our offices were empty or underutilised throughout much of 2021-22. To ensure Covid security increased air handling commitments mitigated savings.

Direct carbon emissions from our buildings have increased by one per cent.

Water use, which can fluctuate significantly from one year to the next due to the need to maintain plant life and large areas of land, has performed well this year.

FE, who through their operations, are disposing of large volumes of contaminated wood to landfill which require special handling and cannot be easily recycled. FE's assessment of this waste stream concludes that these amounts of waste wood are likely to continue to be generated but are reducing over time. It is difficult to find alternatives to landfill for this type of waste due to their not being many facilities with the required licences to process the waste. Due to this waste increase from contaminated wood, this masks the successes elsewhere in Defra group.

As part of RBG Kew's new sustainability strategy, in June 2021 RBG Kew opened the first building at Kew Gardens to achieve BREEAM (Building Research Establishment's Environmental Assessment Method) Outstanding, the highest level of environmental, social, and financial sustainability credentials.

The Arboretum Headquarters is a 'net-zero ready' building, with no reliance on fossil fuel heating systems. The building has elevated levels of insulation and heating is provided by an air source heat pump. The available roof-space is fully utilised with the installation of 39 photovoltaic panels, which will generate enough energy over the course of a year to power all building services.

Arboretum Headquarters is built using cross-laminated timber, larch cladding, and timber studwork – safely sequestering over 170 tonnes of CO_2e within the building itself. As well as locking away biogenic carbon, the use of timber in construction avoids emissions from alternative material use, such as steel. The whole life carbon analysis identified that the carbon sequestered within this building comes close to balancing the embodied carbon emissions from the construction.

Bat and bird boxes and bee bricks on the exterior walls further improve the Arboretum Headquarters' relationship with the environment.

Environmental Management System

A certified ISO14001 Environmental Management System (EMS) covering over 100 sites operates across the Defra group Estates. This covers our larger sites and those which carry the most significant environmental risk across the portfolio, and smaller sites amounting to 95 per cent of our Estate. Achieving and retaining the standard recognises continuing commitment to reducing environmental impact, implementing sound environmental practice, and ensuring environmental policy is considered when making decisions and delivering projects across the estate. There are several grounds maintenance and land management regimes at Defra properties that aim to enhance biodiversity including: reducing the frequency of mowing regimes and leaving grassland patches to grow wild providing food and shelter for pollinators; incorporating features such as bird and bat boxes, indigenous planting and maintenance and care of wildflower meadows/areas. The EMS system is supported by Environmental and Energy policies and the Director of group Property is signatory to these policies.

Sustainable Procurement

In the financial year 2020-21, the department spent approximately £1.7 billion buying goods and services from suppliers. Addressing the negative sustainability impacts and the opportunities associated with purchases is a core and embedded part of our approach. We prioritise the work we do with supply markets and suppliers based on sustainability impacts, business risk and spend so that we can focus our efforts in the highest risk areas. A sustainability risk assessment is completed as part of commercial strategies to determine which impacts are relevant to the contract and how they will be managed throughout procurement and for the entire life of the contract.

Our approach covers a range of sustainability topics and government policies and commitments such as the Greening Government Commitments, the Timber Procurement Policy as well as wider government commitments such as social value, modern slavery, small and medium enterprises and the Public Sector Equality Duty.

We work with government to support and shape approaches relating to sustainable purchases and share our approach with others.

We have made good progress at eliminating consumer single use plastics from our offices and continue to pursue options to reduce further.

Transparency Reporting

In addition to the high level GGC targets, the Defra group also publishes a transparency statement as part of its commitment[75]. This covers sustainable procurement, Climate Change Adaptation, nature recovery, and any Sustainable Construction.

[75] https://www.gov.uk/government/organisations/Department-for-environment-food-rural-affairs/about/our-energy-use

Green ICT

Defra has adopted the Greening Government ICT & Digital Services Strategy[76]. As part of the strategy Defra reports the GHG and Power Consumption for all our Defra group ICT, a full breakdown of waste, using the waste hierarchy, including value retained and charitable donations, strategy statements and results. More information can be found in the Greening Government ICT and Digital Services annual reports[77].

Defra owns and chairs the Sustainable Technology Advice and Reporting (STAR) team for government.

Further Information

Quarterly updates on the Defra group's performance towards the GGC can be found online[78].

This report should be read in conjunction with the Annual Report and Account Sustainability Reports produced by each of the Defra group bodies.

GGC reporting processes use the Defra reporting standards. All energy and carbon reporting in this document uses the conversion factors described in this document.

Sustainability Data – Table 1

ENERGY			2017-18	2018-19	2019-20	2020-21	2021-22
Non financial indicators (kWh)	Energy consumption	Total energy consumption	200,825,760	186,252,121	193,248,581	195,143,695	193,921,369
		Total electricity	98,917,700	99,263,808	102,308,375	92,644,054	82,576,760
		Electricity: standard	48,100,142	11,783,595	10,886,219	9,705,418	4,781,589
		Electricity: green	48,364,769	87,235,083	91,422,156	82,938,637	76,188,564
		Electricity: Purchased CHP	0	245,130	0	0	0
		Gas	79,675,522	71,008,867	78,819,187	84,477,537	92,658,714
		Oil	18,115,593	12,989,052	10,426,013	15,829,742	14,816,340
		Biomass	1,773,783	1,665,995	772,306	1,273,371	1,540,157
		CHP	2,306,324	0	0	0	1,620,964
		Whitehall district heating system (WDHS)	0	0	0	0	0
		Self generated renewables	1,537,325	788,147	401,833	470,505	1,645,569
		LPG	535,152	398,405	518,046	271,034	440,182
		Other	417,150	137,847	2,821	177,452	229,289
Financial indicators ('000£)	Total energy costs		13,530	17,238	17,145	17,122	19,179

[76] https://www.gov.uk/government/publications/greening-government-ict-and-digital-services-strategy-2020-2025/greening-government-ict-and-digital-services-strategy-2020-2025
[77] https://www.gov.uk/government/collections/ict-strategy-resources#greening-government-ict
[78] https://www.gov.uk/government/organisations/Department-for-environment-food-rural-affairs/about/our-energy-use

WASTE		2017-18	2018-19	2019-20	2020-21	2021-22
Non financial indicators ('000 kgs)	Total waste	7,069	5,625	7,526	4,689	5,015
	Hazardous waste	272	35	9	45	29
	IT waste recycled and unrecyclable	37	77	7	1	3
	Recycled	3,138	2,404	2,976	1,068	1,596
	Composted	245	266	1,364	46	227
	Incinerated with energy recovery	1,745	1,868	2,678	2,379	1,907
	Incinerated without energy recovery	464	367	374	431	511
	Landfill	1,441	986	1,498	764	770
Financial indicators ('000£)	Total disposal cost	3,510	5,038	2,823	3,329	4,750
	Hazardous waste	623	415	439	634	375
	Recycled, composted (combined)	698	453	326	799	1,122
	Incinerated with energy recovery	347	330	272	850	480
	Incinerated without energy recovery	n/a	n/a	n/a	n/a	6
	Landfill	119	150	71	300	404

WATER			2017-18	2018-19	2019-20	2020-21	2021-22
Non financial indicators (m3)	Water Consumption	Total scope 2 water consumption	598,781	593,683	592,845	583,463	405,797
Financial indicators ('000£)	Water supply costs		1,051	1,633	1,655	1,222	1,076

GREEN HOUSE GAS EMISSIONS		2017-18	2018-19	2019-20	2020-21	2021-22
Non financial indicators ('000 kgs CO2e)	Scope 1: direct emissions	31,159	23,739	27,257	24,515	27,492
	Scope 2: indirect emissions	33,895	33,505	26,150	21,599	17,192
	Scope 3: emissions from domestic business travel	10,137	11,511	7,322	3,124	6,414
	Total emissions	75,191	61,128	60,729	49,237	51,099
	Direct emissions from buildings	21,353	Not reported in these years			21,576
Financial indicators ('000£)	Expenditure on official business travel	27,560	31,009	29,974	16,580	17,366

OTHER TARGET AREAS		2017-18	2018-19	2019-20	2020-21	2021-22
Non financial indicators	Emissions from domestic flights	265	200	134	3	26
	Emissions from International travel	203	Not reported in these years			270
	Paper use (reams)	71,893	53,625	46,449	4,836	10,359

Notes

(i) Under GGC reporting, areas of a building occupied by non-government occupants are not included. Where this is the case buildings have been apportioned according to floor space occupancies.

(ii) Scope 3: Emissions from Official Business Travel' data does not include international travel in accordance with the GGC reporting requirements.

(iii) Gas used in CHP units is not included in the gas figure as GGC reporting guidance states that this energy is reported as CHP output.

(iv) All consumption data presented in this report reflects reported GGC figures. Cost figures reflect the accounting records for the respective year.

(v) Hazardous waste is included in the landfill waste figure as per GGC reporting.

(vi) Previous year's data has been revised from last year's publication to incorporate any corrections, adjustments and to reflect the increased GGC reporting scope. For this reason tables and performance may appear differently to previous year's reports.

(vii) Emissions from electricity are captured across scope 2 and 3 as electricity generated and supplied to the national grid and due to losses in transmission and distribution of electricity through the national grid to the consumer, as defined by the GHG Protocol.

(viii) Public transport emissions are captured within the scope 3 emissions. For the purposes of Taxi travel, mileage is estimated from spending on taxis using a rate of £2.39 per mile.

(ix) Some ICT waste information is currently unavailable. Changes to our contract are being [put in place for future reporting. It is not expected that the ICT waste data is material to overall waste targets performance.

(x) Data for years 2018-19 to 2020-21 is taken from prior GGC reporting and therefore does not cover the same scope of organisations. It is included for general comparative purposes.

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